HIGHLAND VILLAGE

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDING SEPTEMBER 30, 2020

CITY OF HIGHLAND VILLAGE, TEXAS

CITY OF
HIGHLAND VILLAGE, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2020

Prepared by:

The Finance Department

CITY OF HIGHLAND VILLAGE, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

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INTRODUCTORY SECTION

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FINANCE
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Highland Village, TX 75077
972-899-5089 F 972-899-5100
www.highlandvillage.org

March 24, 2021

Honorable Mayor, City Council
City of Highland Village
Highland Village, Texas

The Finance Department of the City of Highland Village is pleased to submit the Comprehensive Annual Financial Report of the City of Highland Village, Texas, for the fiscal year ended September 30, 2020.

The report is published to provide the City Council, management staff, our citizens and other interested parties with detailed information concerning the financial condition and performance of the City government. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City of Highland Village. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds. We also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

The financial statements included in this report were prepared in accordance with generally accepted accounting principles for local governments as prescribed by the Governmental Accounting Standards Board (GASB), the National Council on Governmental Accounting (NCGA) and the American Institute of Certified Public Accountants (AICPA). To demonstrate further public accountability, the independent accounting firm of Certified Public Accountants, Pattillo, Brown & Hill, L.L.P. whose report is included herein, has audited the City's financial statements.

Pattillo, Brown & Hill, L.L.P., Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Highland Village's financial statements for the year ended September 30, 2020. The independent auditor's report is located at the front of the financial section of this report.

In addition, a Management's Discussion and Analysis (MD&A) section, immediately following the independent auditor's report includes a narrative introduction, overview, and analysis of the financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

Profile of the Government

The City of Highland Village, incorporated in 1963, is located in the southeastern portion of Denton County on Highway 407, west of Lewisville, 20 miles north of Dallas, 34 miles northeast of Fort Worth, 15 miles southeast of Denton and 8 miles north of Dallas-Fort Worth International Airport. The City is primarily residential.

The City's estimated 2019 population is 16,668, just a 9% increase over the past 10 years. Years of sustained growth in population in previous years has brought the City closer to build-out, evidenced by the reduced number of single-family residential permits now being issued. The City is currently approximately 96% built out, with approximately 243 single-family residential homes remaining to be built in platted and unplatted parcels. The estimated build out date is 2026. Over the last five years, the City has averaged 31 single-family residential permits annually. The average assessed value for existing single-family dwellings on the 2019 Tax Roll was $397,044.

The City of Highland Village operates under a council-manager form of government. Policy-making and legislative authority are vested in a governing council (City Council), consisting of a mayor and six other members, all elected at large. The Council appoints the City Manager, who in turn appoints the heads of the various departments. All council members are elected for two-year terms.

This report includes all funds and account groups of the City. The City provides a full range of services. These services include police and fire protection; the construction and maintenance of streets and infrastructure; recreational facilities and cultural events. In addition to general government administrative services, the City provides water, sewer and sanitation services. The City is also financially accountable for a legally separate component unit – the Highland Village Community Development Corporation, which is reported as a blended component unit within the City of Highland Village's financial statements (see Note 1A for additional information).

The Council is required to adopt a final budget by no later than September 30th – the close of the fiscal year. This annual budget serves as the foundation for the City of Highland Village's financial planning and control. The budget is prepared by fund, category (personnel, services/supplies, capital) and department (e.g., police, fire, human resources). Departments may reallocate resources within a category, but reallocation between categories or departments requires council approval.

Local Economy

The pandemic of 2020 presented the national economy with a very challenging year. The ensuing shutdowns trying to stem virus spread and manage hospital capability resulted in a recession that had ramifications at every level. For the North Texas economy, global shutdowns weighed heavily on the energy sector, and cautious public and consumer sentiment had an impact on the leisure/hospitality sector. In contrast, the Texas housing market was robust, largely resulting from low interest rates. This was somewhat limited by depleted housing inventory, which will continue into FY 2021. As the virus is contained, North Texas as a whole is expected to rebound in job creation. This, coupled with the addition of a number of corporate relocations to this area should allow for the housing market to continue its steady growth, although potentially constrained by limited housing inventory. The close proximity of the Dallas-Fort Worth International Airport and both cities of Dallas and Fort Worth enhance increasing residential development. There were 33 single-family permits issued during fiscal year 2019/2020, compared to a five-year annual average of 31. In addition, there were 5,649 water connections, with 5,295 being the total residential. Since the City's residential tax base is a significant portion of its annual budget, these increases have the most significant impact on the City's ability to raise revenues to provide the services and conditions for future growth.

There were 21 commercial permits issued during the year. Increased commercial development has certainly enhanced the business and economic outlook for the City. Over the past twenty years, the City has realized gradual economic development, beginning with the completion in 1995 of the 80,000 square foot Highland Village Town Center shopping complex. Phase II of this development was completed in October 1997. Kroger's grocery chain has been the anchor commercial development in the Town Center complex, however closing in FY 2016. The space has now been

occupied by Painted Tree. Valley Ridge Center, a professional office complex on FM 407 was also added in 1997. A new bank, United Community Bank, opened for business in 1998 with a temporary building - a permanent bank building was completed in 1999. A merger with Independent Bank in 2012 further solidified the bank and now serves as the City's depository.

In January 1999, the City Council initiated implementation of an overlay ordinance for nonresidential development. This change was enacted to create a unique look for Highland Village by requiring a residential look to nonresidential uses. This effort was seen as an economic development issue to ensure quality future development. The completion of Village Parkway in 1998 in the western part of the City provides additional economic stimulus for the City - particularly now that TXDOT has constructed a segment that extends this roadway to Denton as an extension of FM 2499, providing an alternate route to DFW Airport. And this, in turn, greatly enhances the commercial value of the developments at the FM 407 and FM 2499 intersection with the resulting increase in traffic.

Village Creek Center, started in the mid 1980's, added three new buildings in 1999 to complete their site plan. This center includes restaurant facilities and professional office space. In 2000, a two-building professional office development was completed and fully leased, with plans to expand by another building. Also in 2000, Tartan Village Retail Center opened with 6,000 square feet of retail space and Barnett Center constructed a childcare facility. The Barnett Center added an animal hospital in 2002 and a 56,000 square foot assisted living facility was added in 2003, with a 35,000 square foot extensive care addition completed the following year.

Celebrations, a 12,000 square foot banquet hall, was completed in 2003, updated in 2015 with new owners with addition of a chapel – transforming the facility to a wedding / reception facility. A 17,000 square foot retail center, Tartan Square, was added in 2004. Highland Village Business Park was completed, with two office / professional buildings totaling 16,000 square feet, in early 2005.

With limited remaining undeveloped commercial property in Highland Village – primarily located along FM 407 and FM 2499, the City focused on the remaining undeveloped property to ensure compatible, high-quality development. An additional overlay district was developed for this area to apply standards that will assure the highest and best use, with the potential for increased sales tax revenues while continuing to maintain the high quality of life in Highland Village.

The remaining principal area for retail development, at the intersection of FM 407 and FM 2499, saw substantial activity beginning in 2006. At the northeast corner of this intersection - the Marketplace at Highland Village, a 66-acre retail mixed-use development anchored by a 205,000 square foot Wal-Mart Super center, also including approximately 280,000 square feet of retail, office, and restaurants, saw some of its businesses open in October 2006, with the Wal-Mart store opening in November 2007. The Wal-Mart store is truly one-of-a-kind, with preservation of a 125 year-old pecan tree incorporated into the front entrance of the store.

On the northwest corner of the intersection, The Shops at Highland Village, a 45-acre development opened in September 2007. Barnes & Noble and an AMC Theater anchor the 380,000 square foot center, with upscale retail stores including Banana Republic, Victoria's Secret, as well as a variety of restaurants. The Shops at Highland Village is a pedestrian friendly, lifestyle shopping experience featuring fountains, outside dining areas, and pedestrian walkways – also connecting to the City's Inland Trail system. And the addition of Whole Foods in September 2014, further cements the vitality of this development.

Just east of the Marketplace, The District of Highland Village, initially approved by Highland Village City Council in March 2007, was planned as a "Main Street" center with retail and residential

townhomes. Construction of the first phase was completed, but additional construction stalled due to the economic downturn. A redesigned plan was presented to City Council in FY 2011, but denied – prompting a lawsuit by the property owner based on the City's denial of the rezoning request. During the ensuing year, the City and its legal counsel thoroughly defended against the claims made in the lawsuit. City officials and staff worked diligently with the property owners to settle their dispute, resulting in approval by City Council in November 2012 of a new development plan to provide open air plazas for a mixed-use development of residential lofts, retail, and office professional facilities, offering a unique and desirable high-end loft living lifestyle currently not available in Highland Village and adjacent cities. Construction initiated in 2014 and now entails nineteen buildings of residential and retail totaling over 320,000 square feet.

The City is primarily a residential community with a relatively small commercial base. New residential construction has slowed from previous years, with substantial residential build-out expected in the near future. Roughly 243 potential lots remain, most of these associated with several developments in the western portion of the city, providing very modest residential building activity. In particular, Ladera, a retirement community development of 102 units, initiated construction in FY 2018, with with only 12 permits remaining. In addition, David Weekley Homes purchased property from the Lewisville Independent School District previously targeted for a school site, also in the western section of the city. They are currently in the development approval process, with 72 homes anticipated. Pag

There are shopping areas with major retail department stores, variety stores and chain stores located in the general vicinity of Highland Village. Wholesale firms, distributing automobile parts and supplies, electronics, lumber, meats, plumbing fixtures, petroleum products and boat distributors are also located in the general vicinity. A plentiful supply of skilled labor is available to industry in the Highland Village area. Denton County reflected an unemployment rate of 6.6% as of September 2020, this year inflated resulting from the pandemic.

Long Term Financial Planning

Economic Development, specifically retail development, has been a primary objective and continues to be desired, however with limited remaining real estate in the city. This will not only provide desired amenities for residents' immediate access, but also an avenue to diversify the City's revenue stream that is highly dependent on property tax. This is especially pertinent as the City nears substantial residential build-out, and accompanying declining growth in assessed valuation. A stated focus of Council has been to maintain the current tax rate. Above-average increases in assessed valuation the last several years has provided an opportunity to have a tax rate reduction. However, with declining growth in new valuation added to the tax roll, coupled with proposed State Legislation to implement revenue caps, this provides a challenge to maintain the high level of services provided for in this community. A continued primary focus over the next few years is to maintain current staffing levels through residential build-out and seek efficiencies where possible, without compromising the City's excellent level of service.

Future water supply, pumping facilities, and wastewater treatment will also continue to be a focal point of meeting growth demands through build-out. Highland Village has contracted with the Upper Trinity Regional Water District (UTRWD) to take three million gallons of water per day (MGD). This water supply supplements the City's four productive water wells. A utility rate structure was updated to provide a 70/30 mix of surface water and ground water respectively. Additionally, the utility rate structure was revamped to provide for a substantially higher amount collected at the base level rather than the previous method of relying on higher summer usage with tiered rates. This will provide a

more consistent revenue stream that is less dependent on weather patterns and fairer method of distributing costs to residents.

To meet the City's wastewater needs, a long-term solution was finalized in June, 1995, with 1.8 million gallons per day treatment contract with the Upper Trinity Regional Water District's Lakeview Wastewater Reclamation Project, which provided for a participatory contract to meet the City's build out wastewater effluent needs. In the initial stage of this contract, developer contributions (Impact Fees) have paid the bulk of the annual commitments with the existing ratepayers paying a minimal portion of the contract cost. The City's current capacity is at 1.65 MGD, but the City may reinstate the 1.8 MGD capacity at a future date, if needed. The subscribed capacities for both water and sewer are generally expected to be sufficient through build-out.

A municipal drainage utility was formed at the end of FY 2006 to fund a storm water quality program and related drainage projects necessitated by Phase II MS 4 Storm Water Regulations – administered by the Texas Commission on Environmental Quality (TCEQ). A rate of $1.20 per 1,000 square feet of impervious cover was established to fund this program – unchanged until FY 2015 when adjusted to $1.40. The monthly average for most City residents is roughly $5.00. The utility has a staff of five positions and has procured needed equipment. The utility has achieved great success, already completing a number of needed drainage projects - also achieving substantial cost savings by averting contracting of these projects. In FY 2013, an aggressive mosquito abatement program was developed to address the significant increase in West Nile Virus, and is ongoing.

The City continues to address park programs to meet the changing needs of the community. The governing body adopted an ordinance in 1991 to establish Park Development Fees to be paid by the development community. These fees are dedicated to Park Development. This ordinance was revised in 1997 to collect fees for three components – community park, inland trail system, and neighborhood parks. Phase I of the development of Unity Park was completed and was utilized in full for athletic activity in early 1996. In September 1996, $1,850,000 in General Obligation Bonds was issued to complete Phase II of Community Park and provide improvements to other City parks. Phase II of the Park, completed in April 1997, includes lighting, restrooms and concessions. Additional parking and restroom enhancements were added in 2012 funded by a certificate of obligation. An inter-local agreement with the Lewisville Independent School District allows the City and Briarhill Middle School (adjacent to Unity Park) to share common facilities. Completion of Village Park in 2005 provided a neighborhood park in the western quadrant of the City.

An additional primary focus of the City has been the establishment of a comprehensive trail system throughout the City. The initial spine (9.83 miles) of the trail system was initiated with securing a $1 million TEA-21 grant. This was completed in 2006 with a cost of $1.7M. Voters approved a ½ cent 4B sales tax in November 2004 – specifically targeted for trail development and a soccer complex. Future development of the trail system is to be primarily funded by the 4B sales tax. A $3M bond issue in 2008 provided funding for the next section – with another $3.8M bond issuance in FY 2009 to further expand the trail system in the City. A continuous trail segment now spans the length of the entire City. Ultimately, 28 miles of trails are envisioned in the Trail Master Plan.

The Doubletree Ranch property, 36 acres in the eastern portion of the City, was purchased in 2009 with funds from a certificate of obligation – with the associated annual debt service to be reimbursed to the City with 4B revenues. In FY 2014 a $6.7M Certificate of Obligation was issued to supplement remediation funds of $2.8M previously received from TxDOT associated with the loss of Copperas Branch Park resulting from the expansion of I-35 - to be redirected to Doubletree Ranch Park, to fund park construction. Accordingly, construction commenced in FY 2014. The Park substantially

opened in August 2016, providing open space, trails, and soccer fields, in a pristine setting. In addition, a splash pad, concession barn and pavilion are heavily utilized.

Lakeside Community Park was completed in 2015, also utilizing 4B revenues. This park – with water front access to Lake Lewisville, includes a quarter-mile loop trail, two pavilions, all with fantastic lake views. A number of recreation programs are offered in the City. In particular, baseball and soccer associations have experienced consistent participation, and have remained quite successful.

The City's commitment to parks was buttressed with a 2018 $7.1 M bond issuance following voter approval in 2017. This issuance targeted parks projects of $4.1M and street projects totaling $2.8M. A significant portion of the park initiatives were improvements to Unity Park, highlighted by a new softball field and rebuild of Kids Kastle playground. This playground was originally constructed in the 1990's as a community build project. Following a fire in the 2000's, it was rebuilt again as a community project. The play area is now at the end of its useful life and in need of replacement and was again reconstructed in FY 2020. This amenity is a tremendous source of pride for the community.

Major Initiatives

The City's staff, following specific directives of the City Council and City Manager, has been involved in a variety of projects throughout the year. These projects reflect the City's commitment to ensuring that its citizens are able to live and work in an enviable environment. The following are initiatives and programs relating to general governmental functions:

- Received the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for the submitted 2019 Comprehensive Annual Financial Report (CAFR).
- Received the GFOA Distinguished Budget Presentation Award for the Fiscal Year 2020 Budget.
- Established online court system to accommodate virtual court sessions in response to pandemic
- Established virtual magistrate services to provide ability for judge to perform arraignment functions remotely which will increase efficiency as well as enhance safety
- Worked with the City Council and Dr. Riley Harville to successfully recruit a new City Manager.
- Recruited and onboarded 28 new part-time and full-time employees.
- The majority of this year saw Human Resources tasked with managing the effects of the COVID-19 pandemic on our workforce.
- Upgraded the remote access gateway for easier use and greater security for remote work
- Retained an independent consultant to scan the City network from inside the firewall and identify vulnerabilities.
- Installed and configured a new courts magistrate system to allow for remote warrants and dispositions.
- Created graphics to simplify the COVID-19 regulations and shared via social media, website, and news releases.
- Implemented crisis communication protocols to develop a city-wide communication team and funnel all information through Marketing and Communication Director for approval prior to distribution to the public.

- Hired a full-time Marketing and Communication Specialist to focus on graphic design, social media presence, and community engagement.
- Created promotion and informational items for the Kids Kastle Community Build and continued to inform residents of the status of the project through news releases, Speak Up HV, and social media.
- Completed construction of Sunset Point Park.
- Completed Clearwater and Sellmeyer Tennis court resurfacing.
- Completed Facility Assessments for Doubletree Ranch Park, Clearwater, and Sellmeyer Tennis.
- Completed various projects at Unity Park including Pond Dredging, plaza improvements, rebuild of Kids Kastle playground, Installation of a new softball field.
- The body camera technology received an upgrade this year with new BWX-100 body cameras from Safe Fleet. Improvements include 1080p FHD video resolution, 129 degree horizontal/140 degree vertical lens field of view, 64 GB memory, and 12 hour battery life.
- The department has integrated the new Lattice performance evaluation system into daily operations to assist with performance recognition, evaluation, and feedback.
- The E-Watch platform was migrated from Nixle to Civic Ready in Fiscal Year 2019. Civic Ready has enhanced capabilities including geo-targeting notifications, an AlertMe application for citizens, multilingual messaging, social media integration, and real time reporting capabilities. This change also allowed E-Watch to combine with the City alerting system as "Highland Village Alerts." A promotional campaign, including free Ring doorbell giveaways, accounted for an increased membership growth to approximately 4,203 members.
- The Police Department is now in the sixth year of our contract with The Shops at Highland Village. This contract funds two Police Officer positions, at no cost to the City, and provides for a Police Substation located at The Shops at Highland Village. The program has averaged over 378 hours a month, and has been very successful in keeping crime low and increasing positive officer interaction with our local business community.
- In October 2019 the Police Department helped raise over $78,000 for the Texas Police Chiefs Association’s Fallen Officer Fund/Foundation through the Annual TXFallenPD Tribute Event. The Fallen Officer Fund/Foundation provides monetary assistance to families of Texas Police Officers killed in the line of duty. The TXFallenPD Tribute Event began in 2008, and is a community event at The Shops at Highland Village with activities including a 5K run, police bike race, police obstacle course, live music, entertainment, demonstrations, kids zone, food, and drinks.
- Implemented the new 48/96 hour scheduling with a noon shift change schedule, which is the only one in the nation.
- Completed the first phase of the Texas Fire Chiefs Best Practices Recognition Program.
- Implemented a new Fire Pre-Planning Program.
- Renewed the Heart Safe Community designation.
- Renewed the department’s Texas Department of State Health Services Healthcare Provider License.
- Completed an extensive review and revision of the Department’s EMS Protocols in line with best known treatment modalities.
- Ungraded the City’s Early Outdoor Warning Siren (EOWS) by adding a new site at Sunset Point Park.
- Replaced the Early Outdoor Warning Siren (EOWS) pole at the Medina site.
- Implemented a comprehensive annual maintenance program for all Early Outdoor Warning Siren (EOWS) sites.

- Constructed the Streets Reconstruction Project Phase 2.
- Constructed the Streets Reconstruction Project Phase 3.
- Completed the 2020 Street Overlay Project.
- All Street Department staff completed their continuing education as required for the National Highway Institute (NHI) Street Department Certification. Staff also became National Pollutant Discharge Elimination System (NPDES) Storm Water certified.

Relevant financial policies

The City's financial policies address accounting and fiscal operations of the City with emphasis on asset management, operating reserves and fund balances. The City has established policies to maintain a fund balance equivalent to at least 20% of General Fund expenditures. Accordingly, fund balance levels have remained above this level. Ending fund balance was 37% in FY 2016, 47% in FY 2017, 44% in FY 2018, 36% in FY 2019, and 45% in FY 2020. Financial policies provide for one-time or non-recurring revenues not being used to finance current ongoing operations. Non-recurring revenues should be used only for one-time expenditures such as long-lived capital needs. They will not be used for budget balancing purposes. Fund balance levels are currently higher than anticipated to be necessary on an on-going basis. Financial policies call for the City to maintain a fund balance within a range of 20% -25%. A gradual plan is intended to reduce fund balance levels to this range – specifically by funding capital items with excess reserves. A continuing priority is to ensure sufficient revenues are available for the level of operating expenditures.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Highland Village for its comprehensive annual financial report for the fiscal year ended September 30, 2019. This was the twenty-seventh consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

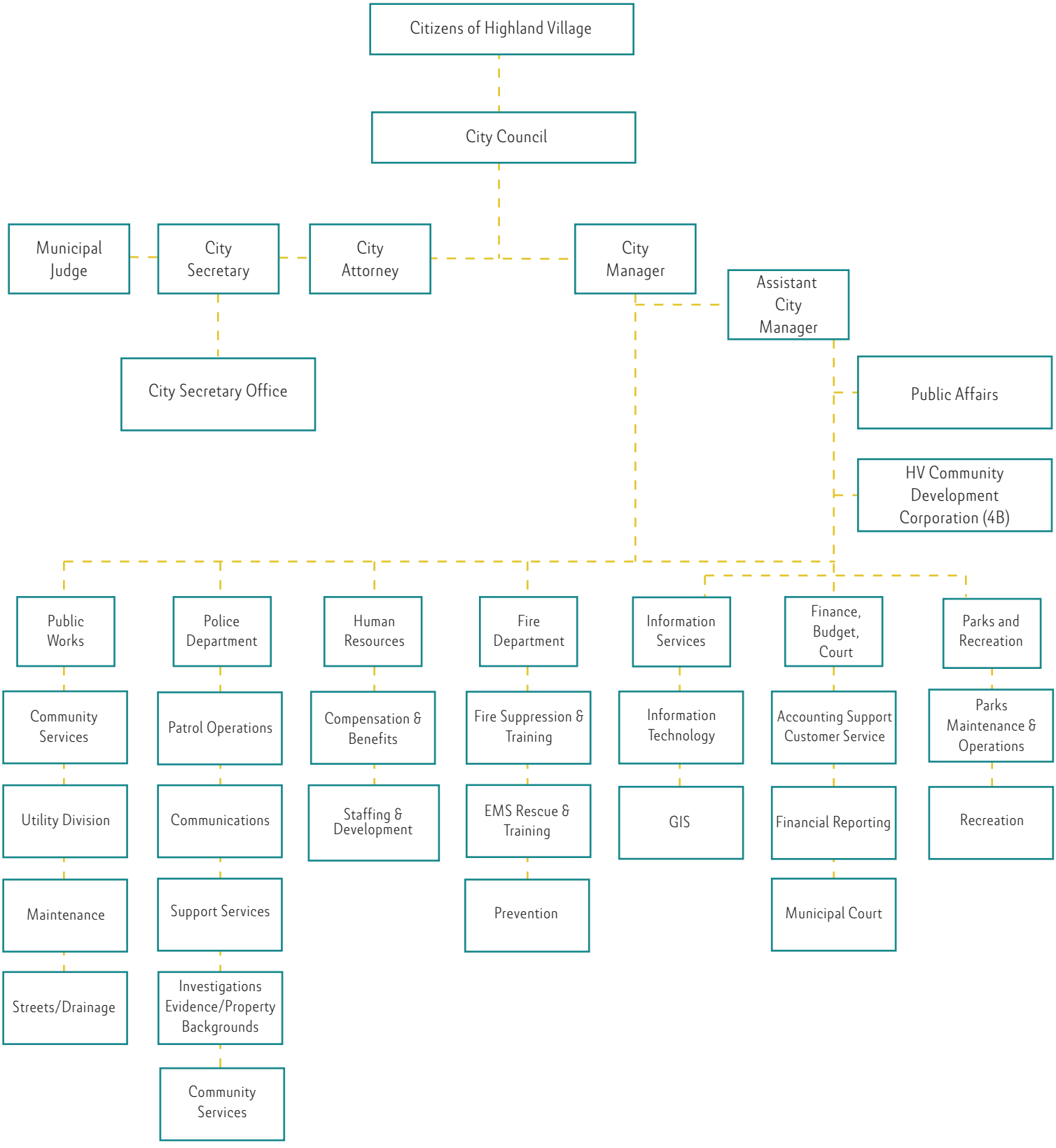
In addition, the City also received the GFOA Distinguished Budget Presentation Award for its annual budget document for fiscal year 2020– the City's fourteenth consecutive receipt of this award. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the finance department. Thanks especially to Heather Miller for her hard work toward the completion of this document and continued commitment to excellence in accounting standards. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

In closing, without the leadership and support of the City Council of the City of Highland Village, preparation of this report would not have been possible.

Sincerely,

Ken Heerman
Assistant City Manager



City of Highland Village, Texas
Organizational Chart
Fiscal Year 2019 - 2020

CITY OF HIGHLAND VILLAGE, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

OCTOBER 1, 2019 - SEPTEMBER 30, 2020

HOME RULE, COUNCIL-MANAGER FORM OF GOVERNMENT

MAYOR AND CITY COUNCIL

		Term Expires
Charlotte Wilcox, Mayor	Place 1	05/2022
Jon Kixmiller	Place 2	05/2022
Mike Lombardo, Mayor Pro Tem	Place 3	05/2021
Barbara Fleming, Deputy Mayor Pro Tem	Place 4	05/2022
Tom Heslep	Place 5	05/2021
Robert Fiester	Place 6	05/2022
Daniel Jaworski	Place 7	05/2021

ADMINISTRATIVE

Paul Stevens	City Manager
Angela Miller	City Secretary
Ken Heerman	Assistant City Manager
Scott Kriston	Director of Public Works
Doug Reim	Police Chief
Michael Thomson	Fire Chief
Jana Onstead	Human Resources Director
Phil Lozano	Director of Parks & Recreation
Sunny Lindsey	Information Services Director
Laurie Mullens	Director of Communications

Prepared by:
City's Finance Department

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Highland Village Texas

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

September 30, 2019

Christopher P. Morrill

Executive Director/CEO

FINANCIAL SECTION

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PATTILLO, BROWN & HILL, L.L.P.
401 West State Highway 6
Waco, Texas 76710
254.772.4901 | pbhcpa.com

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor
and City Council
City of Highland Village, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Highland Village, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Highland Village, Texas' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Highland Village, Texas, as of September 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the City of Highland Village Texas' fiscal year 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 24, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and OPEB information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Highland Village, Texas' basic financial statements. The introductory section, combining and individual fund financial statements and schedules, capital asset schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules, and capital asset schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules, and capital asset schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2021, on our consideration of the City of Highland Village, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the City's effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Highland Village, Texas' internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 24, 2021

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MANAGEMENT'S
DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Highland Village, we offer readers of the City of Highland Village's financial statements this narrative overview and analysis of the financial activities of the City of Highland Village for the fiscal year ended September 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Highland Village exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $54,471,459. Of this amount, $5,508,216 may be used to meet the government's ongoing obligations to citizens and creditors.

- The City of Highland Village's total net position increased by $702,946. A $752,765 increase in net position related to governmental activities and a decrease of $49,819 in net position in business-type activities.

- As of September 30, 2020, the City of Highland Village's governmental funds reported combined ending fund balances of $12,438,518, a decrease of $555,327 in comparison with the prior year. Approximately 47 percent of this total amount, $5,834,619, is available for spending at the government's discretion (unassigned fund balance).

- At the end of the current fiscal year, unassigned fund balance for the General Fund was $5,834,619, or 33 percent of total General Fund expenditures.

- The City of Highland Village's total debt decreased by $3,090,000 during the current fiscal year. This is attributed to scheduled debt payments for the governmental activities and business-type activities of $2,200,000 and $890,000, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

The management's discussion and analysis are intended to serve as an introduction to the City of Highland Village's basic financial statements. The City of Highland Village's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Highland Village's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City of Highland Village's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between these items reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Highland Village is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in the governmental fund financial statements.

In the Statement of Net Position and the Statement of Activities, the City is divided between two kinds of activities:

Governmental activities. Most of the City's basic services are reported here, including the police, fire, community development, public works, information services, park services, municipal court, and general administration. Property taxes, sales taxes, and franchise fees finance most of these activities.

Business-type activities. The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water, sewer and drainage utilities are reported here.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by state law or bond covenants. However, the City Council also establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. All of the funds of the City of Highland Village can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationship or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are detailed in a reconciliation following the fund financial statements.

The City of Highland Village maintains 11 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, and Capital Projects Fund, all of which are considered to be major funds. Data from the other 8 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds. The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same manner that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's Enterprise Fund (a component of proprietary funds) is identical to the business-type activities that are reported in the government-wide statements, but provide more detail and additional information, such as cash flows.

The City of Highland Village maintains an Enterprise Fund to account for water and sewer services provided to the City's retail and wholesale customers. All activities associated with providing such services are accounted for in this fund, including administration, operation, maintenance, debt service, capital improvements, billing and collection. The City's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Highland Village's budgetary comparison schedules and its progress in funding its obligation to provide pension benefits to its employees.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined net position was $54,471,459 as of September 30, 2020. Analyzing the net position of governmental and business-type activities separately, governmental activities' net position was $44,671,660 and business-type activities' net position was $9,799,799. This analysis focuses on the net position (Table 1), and the changes in net position (Table 2).

The largest portion of the City's net position reflects its net investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

TABLE 1

CITY OF HIGHLAND VILLAGE'S NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Current and other assets	$ 14,036,845	$ 15,012,846	$ 7,861,947	$ 7,672,090	$ 21,898,792	$ 22,684,936
Capital assets	59,840,351	60,664,124	14,937,997	15,724,971	74,778,348	76,389,095
Total assets	73,877,196	75,676,970	22,799,944	23,397,061	96,677,140	99,074,031
Deferred outflows of resources	1,503,654	2,739,996	218,467	392,642	1,722,121	3,132,638
Long-term liabilities	24,861,546	29,199,981	10,817,141	12,075,039	35,678,687	41,275,020
Other liabilities	4,528,661	5,021,825	2,208,652	1,810,325	6,737,313	6,832,150
Total liabilities	29,390,207	34,221,806	13,025,793	13,885,364	42,416,000	48,107,170
Deferred inflows of resources	1,318,983	276,265	192,819	54,721	1,511,802	330,986
Net position:						
Net investment in capital assets	40,526,620	41,212,165	6,637,826	6,592,993	47,164,446	47,805,158
Restricted	723,473	660,741	1,075,324	1,047,080	1,798,797	1,707,821
Unrestricted	3,421,567	2,045,989	2,086,649	2,209,545	5,508,216	4,255,534
Total net position	$ 44,671,660	$ 43,918,895	$ 9,799,799	$ 9,849,618	$ 54,471,459	$ 53,768,513

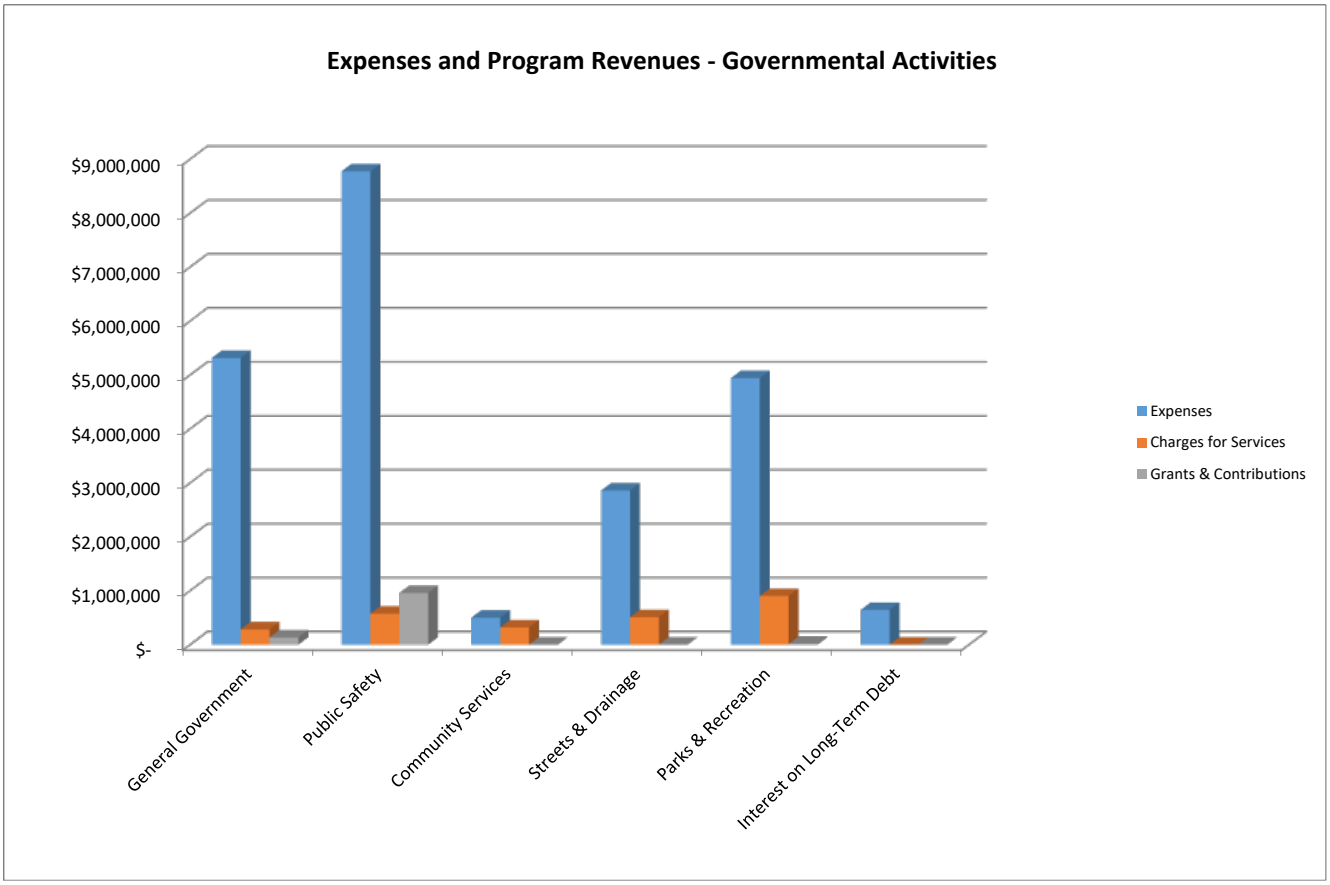
The following table (Table 2) provides a summary of the City's operations for the year ended September 30, 2020. Governmental activities increased the City's net position by $752,765 and business-type activities decreased the City's net position by $49,819, resulting in a net $702,946 increase in total net position.

TABLE 2

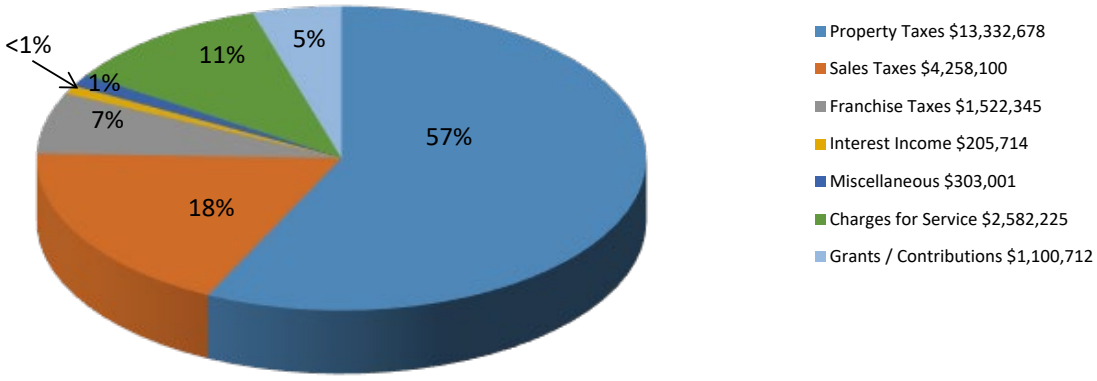
CITY OF HIGHLAND VILLAGE'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	$ 2,582,225	$ 2,623,383	$ 9,439,260	$ 9,112,051	$ 12,021,485	$ 11,735,434
Operating grants and contributions	959,705	34,894	-	-	959,705	34,894
Capital grants and contributions	141,007	125,493	164,859	273,105	305,866	398,598
General revenues:						
Property taxes	13,332,678	12,697,424	-	-	13,332,678	12,697,424
Sales taxes	4,258,100	4,285,659	-	-	4,258,100	4,285,659
Franchise fees	1,522,345	1,585,246	-	-	1,522,345	1,585,246
Interest income	205,714	410,525	63,203	143,616	268,917	554,141
Miscellaneous	303,001	193,463	-	-	303,001	193,463
Total revenues	23,304,775	21,956,087	9,667,322	9,528,772	32,972,097	31,484,859
Expenses:						
General government	5,312,238	5,442,819	-	-	5,312,238	5,442,819
Public safety	8,772,628	8,591,670	-	-	8,772,628	8,591,670
Community services	498,662	469,914	-	-	498,662	469,914
Streets and drainage	2,857,021	3,139,410	-	-	2,857,021	3,139,410
Parks and recreation	4,939,557	4,520,227	-	-	4,939,557	4,520,227
Interest on long-term debt	641,904	694,525	-	-	641,904	694,525
Water and wastewater	-	-	9,247,141	9,226,804	9,247,141	9,226,804
Total expenses	23,022,010	22,858,565	9,247,141	9,226,804	32,269,151	32,085,369
Increases in net position before transfers	282,765	(902,478)	420,181	301,968	702,946	(600,510)
Transfers	470,000	470,000	(470,000)	(470,000)	-	-
Change in net position	752,765	(432,478)	(49,819)	(168,032)	702,946	(600,510)
Net position, beginning	43,918,895	44,351,373	9,849,618	10,017,650	53,768,513	54,369,023
Net position, ending	$ 44,671,660	$ 43,918,895	$ 9,799,799	$ 9,849,618	$ 54,471,459	$ 53,768,513

Governmental activities. The City's expenses for governmental activities are detailed below – with associated program revenues.



General Revenues by Source - Govermental Activities



Net position associated with governmental activities increased $752,765 in FY 2020 – this compared to a $432,478 decrease in net position in FY 2019.

- FY 2020 revenues increased $1,348,688 from the previous year. Key elements of this increase is as follows:
    - Operating grants and contributions increased $924,811 related to receipt of CARES ACT funding.
    - Property taxes increased by $635,254 during the year. Most of this increase is the product of a 4.5% increase in the taxable assessed value of the property.
    - Sales tax revenue decreased by $27,559. Collected sales tax were increased 11% from the prior year for the first five months of the fiscal year, however reducing to 90% for next four months during shutdowns associated with the COVID19 pandemic. Collections recovered to 100% by fiscal year end, resulting in just a slight decrease overall for the year.
    - Franchise fees decreased by $62,901 which is primarily attributed to electric, gas, and cable franchise fees.
    - Investment earnings decreased $204,811 resulting from lower yields.
    - Miscellaneous revenue increased $109,538 largely resulting from a supplemental insurance settlement payment related to roof replacements damaged from a previous hailstorm.
- FY 2020 expenses increased $163,445 from FY 2019, reflecting inflation and increased service demand. The total expense amount of $23,022,010 was less than total revenues – creating a $282,765 increase in net position before transfers. This compares to a $902,478 reduction in FY 2019 net position.
    - General government expenses decreased by $130,581. This decrease is associated with HVAC replacement, roof repairs, and replacement of security cameras and other software and hardware totaling $266,984 in FY 2019. This is offset by FY 2020 increase in personnel expenses totaling $114,496 related to increases in salaries and health insurance costs, and net pension liability.
    - Public safety expenses increased $180,958 primarily related to increases in salaries, health insurance costs, and net pension liability.
    - Streets and drainage expenses decreased $282,389 primarily due to a decrease in street maintenance expenses.
    - Parks and recreation expenses increased $419,330. This increase is largely attributed to an increase in park and right-of-way mowing and landscaping of $124,658 and dredging and sediment removal at the Unity Park Ponds expenses of $248,000. Additionally, personnel expenses increased by $60,005 related to an increase in salaries, health insurance costs, and net pension liability.

Business-type activities: Business-type activities reflected a $49,819 decrease in the City's net position – this compared to a $168,032 decrease in net position in FY 2019. Overall, expense and transfers exceeded revenue.

- Charges for service increased $327,209 from last year's total of $9,112,051. Water sales increased from the previous year as a result of increased consumption during summer months, while sewer sales decreased slightly from the previous year.
- Capital grants and contributions decreased $108,246 largely resulting from increased water and sewer capital improvements contributed by the developer of the Ladera subdivision in FY 2019.
- Expenses reflected a slight increase of $20,337 from last year largely related to increased maintenance costs.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $12,438,518 a decrease of $555,327 in comparison with the prior year. Approximately 47 percent of this total amount, or $5,834,619, constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is not available for spending because it has already been restricted - $3,999,834, committed - $486,084, assigned - $2,042,788, or non-spendable - $75,193.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was $5,834,619, while total fund balance was $7,952,600. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 33 percent of total General Fund expenditures, while total fund balance represents 45 percent of that same amount.

The original budget for FY 2020 reflected a $782,606 drawdown of fund balance, to fund capital equipment purchases – while still providing for sufficient reserve balances. Revenues exceeded the budgeted amount by $723,813, and expenditures in FY 2020 were below the budgeted amount by $1,150,572. These variances comprised the majority of the increase in fund balance of $1,297,255. Key factors affecting fund balance are as follows:

- Total General Fund revenues of $18,258,823 were increased from FY 2019 by $997,056.
    - Taxes reflected a $344,111 increase from FY 2019.
        - Property tax revenue increased $439,146 largely resulting from a 2.7% increase in assessed valuation, coupled with a slight reduction in scheduled debt service.
        - Sales tax revenue decreased $24,432.
        - Franchise fees decreased $70,602.
    - Intergovernmental increased $929,027 resulting from receipt of CARES ACT grants.
    - Licenses, permits and fees decreased $267,317 largely due to decreased building permits issued in FY 2020.
    - Investment earnings decreased $84,767 resulting from decreased yields.
    - Charges for Services revenues experienced a $15,918 decrease, primarily reflective of decreased collections from ambulance service fees.
- Total General Fund expenditures of $17,565,044 represent a decrease of $1,048,915 from the previous year. The FY 2020 actual expenditures were $1,150,572 below the original budgeted amount.
    - Personnel expenditures increased $760,498 from FY 2019. Salaries increased $424,766 resulting from overall salary increases of 4%. Benefits increased $335,732 largely related to higher premiums for medical insurance coverage, coupled with a slight increase in pension premiums.
    - Services / Supplies expenditures decreased by $506,784.
        - Recreation programs decreased $138,565 prompted from program cancellations stemming from the pandemic.
        - Data processing expenditures decreased $178,120 from FY 2019 primarily related to FY 2019 reflecting installation of numerous security cameras as well as an upgrade to the City network server software.
        - Street Maintenance decreased $225,871 largely related to delayed implementation of the FY 2020 street overlay program, with expenditures carrying over to FY 2021.
        - Capital lease payments decreased $133,198 due to fulfillment of the lease-purchase obligation related to acquisition of a fire engine, with the last payment made in FY 2019.

        - Maintenance contracts increased $142,608 largely resulting from an increased landscaping bid for right-of-way mowing.

    - Capital Outlay expenditures decreased by $1,302,602 in FY 2020, primarily reflective of the purchase of a fire engine and ambulance in FY 2019.

- Total Other Financing Sources (Uses) reflected a net total of $603,476 – a $146,864 increase from FY 2019. Base elements of this total include transfers-in of $470,000, $28,000, and $16,000 respectively, from the Utility Fund, Highland Village Economic Development Corporation and Drainage Utility Fund for support functions provided by the General Fund, as well as a transfer-in of $20,352 from the Public Safety Fund related to Child Safety Fees. These transfers-in were partially offset by transfers to the Drainage Utility Fund of $136,000 for the City's drainage fees and capital equipment. Also included in the total is $80,124 related to sale of a capital asset.

The Debt Service Fund has a total fund balance of $126,236, an increase of $7,970, all of which is restricted for the payment of debt service.

The Capital Projects Fund ended the year with a $3,222,762 fund balance, decreased $2,090,822 from FY 2019 related to capital expenditures for parks and streets projects identified in the $6.905M bond issuance in FY 2019.

Remaining governmental funds reported a combined ending fund balance of $1,136,920, reflecting an increase of $230,270.

- Revenues for these funds reflected an increase of $250,165 from the previous year, largely related to increased licenses, permits and fees of $276,531. This was primarily related to an increase of collected fees in the Corps Leased Parks Fund of $150,585 associated with increased utilization prompted by the pandemic, and collected park development fees of $137,537 received in the Park Development Fund.

- Combined expenditures increased $34,581. The increase is largely related to $75,283 capital expenditures in the PEG Fee Fund along with $52,087 increased expenditures in the Community Development Fund. This was partially offset by a $50,071 decrease in Drainage Utility expenditures.

- Total Other Financing Sources (Uses) reflected a net total of $-865,905 – a net $72,466 decrease from FY 2019. This is reflective of a $-129,267 transfer from the Park Development Fund to the Capital Projects Fund regarding collected Community Development Fees to be used for the Kids Kastle capital project, partially offset by a net $70,000 increase in transfers to the Drainage Utility for capital equipment.

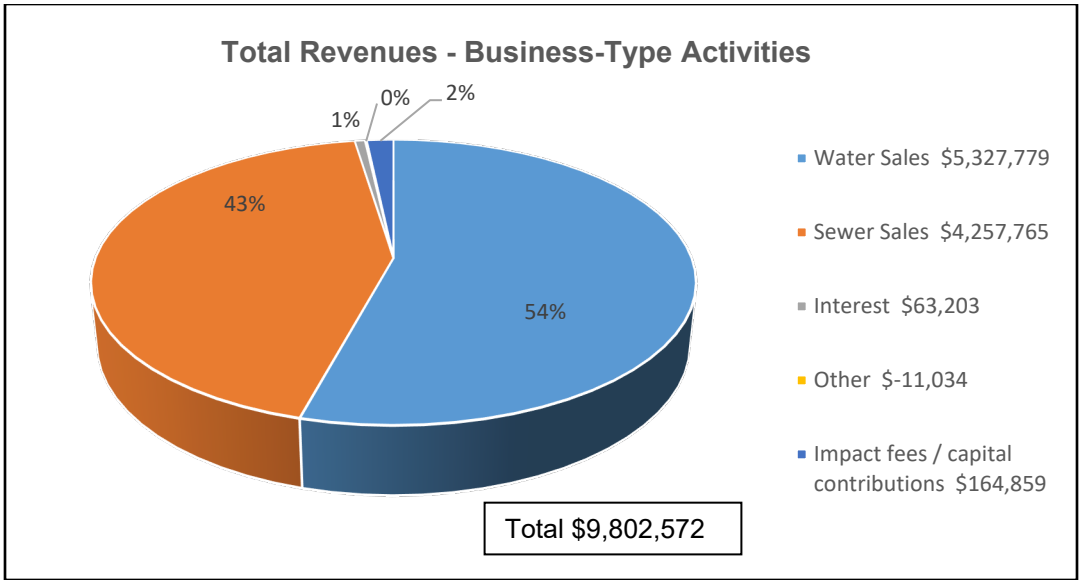
Proprietary funds. The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Net position in the Enterprise Fund totaled $9,799,799 at the end of the fiscal year 2020, a decrease of $49,819, or 0.51%. Included in net position is $1,075,324 restricted for capital projects and unrestricted net position of $2,086,649. The remaining net position balance of $6,637,826 consists of net investments in capital assets.

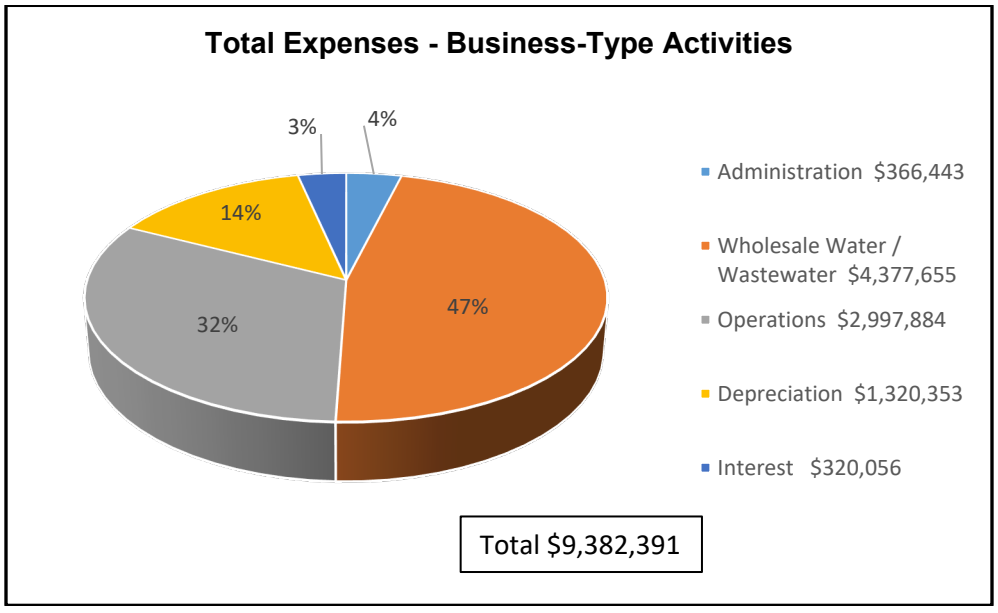
- Utility operating revenues of $9,439,260 reflected an increase of $327,209 or 3.6%, in FY 2020, largely reflective of water demand associated with more typical weather conditions compared to above-average rainfall in the previous year.

    - Water sales increased $485,774.

    - Sewer sales decreased $19,400.



- Utility operating expenses of $9,062,335 increased $176,839, or 2%.
  - Administration expenses increased $16,607 in FY 2020.
  - Maintenance and Operations increased $101,027.
    - Wholesale water / sewer treatment cost increased $3,843.
    - Personnel expenses decreased $181,478.
    - Services and supplies increased $278,662. Components of this increase includes $50,200 in an infiltration/inflow analysis, $32,920 increase in electric and gas costs, $33,474 in emergency sanitary sewer repairs, $46,413 in lift station pump replacements, $22,895 in the beginning phase of the Highland Shores ground storage tank painting project, $23,760 increase in general water line maintenance, $37,876 increase in water meter maintenance, and $18,711 increase in water treatment chemicals.
  - Depreciation increased in FY 2020 by $59,205.



GENERAL FUND BUDGETARY HIGHLIGHTS

During fiscal year 2019-2020, the City Council of the City of Highland Village amended the budget for the General Fund one occasion, resulting in an increase in budgeted expenditures of $904,000. The majority of these appropriations relate to actions taken to fund unbudgeted items during the fiscal year, including the acceptance of grants during the year.

Staff reviewed each supplemental appropriation throughout the year and determined that revenues provided sufficient reserves to recommend their increase. All budget amendments presented had either offsetting reductions or sufficient available fund balances reserves.

For fiscal year 2019-2020, actual expenditures on a budgetary basis were $17,565,044. This total was less than the original budgeted expenditures of $18,715,620 by $1,150,576, and $2,054,576 below the revised budget. The supplemental requests approved during the year are summarized following:

- Personnel expenditures increased by a total of $270,000 which consists of increases in City Manager ($20,000), Finance ($80,000), Information Services ($25,000), Fire ($135,000), Community Services ($115,000), and Parks ($75,000) Departments, offset by decreases in the City Secretary ($-30,000), Recreation ($-40,000), and Streets ($-110,000) Departments. These changes resulted from mid-year adjustments, personnel changes, insurance coverage election, etc. In addition, the amendments addressed reallocation of some items budgeted in a single department, such as incentive pay, with actual expenditures charged to the respective departments.
- Services and supplies expenditures increased in total by $330,000 which consists of the following amendments:
    - City Secretary – Decreased $30,000 resulting from reduced meetings and travel for Council related events due to the pandemic.
    - Recreation – Decreased $120,000 related to cancellation of City recreation programs due to pandemic.
    - Information Services – Decreased $70,000 for reduction in professional services needed.
    - City Manager - Increased $10,000 mostly related to professional services and reallocation of budgeted contingency funds not utilized.
    - Parks – Increased $70,000 related to purchase of tools required for Kids Kastle rebuild project.
    - Police – Increased $20,000 related to increased maintenance contracts.
    - Maintenance - Increased $450,000 related to repairs of City facilities (roofs) damaged by hail storm (associated with insurance proceeds previously received) and security improvements to City facilities.

- Increased Capital Outlay in total by $304,000 which consists of the following amendments:

    - City Manager – Increased $9,000 related to relocation of an outdoor warning siren.
    - Police – Increased $15,000 due to cost of purchased vehicle exceeding budget amount.
    - Fire – Decreased $120,000 resulting from delay of Station alerting system.
    - Streets – Increased $45,000 related to acquisition of dump truck.
    - Maintenance – Increased $5,000 to purchase of vehicle exceeding budget amount.
    - Parks – Increased $350,000 related to initiation of enhanced entry improvements at Unity Park to complement Kids Kastle rebuild project as well as budgeted FY 2019 trucks received in FY 2020.

Actual revenue on a budgetary basis was $18,258,823 compared to the original budget of $17,535,010, providing a positive variance of $723,813. Actual tax revenues were $117,781 less than the budget amount. Licenses, permits and fees actual revenues also were less than budgeted by $211,117. This was offset by a large positive variances for Intergovernmental of 931,515 related to receipt of CARES ACT grant funding.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City's investment in capital assets, for its governmental and business-type activities as of September 30, 2020, amounted to $74,778,348 (net of accumulated depreciation). This investment in capital assets includes land, building, park facilities, roads, bridges, water and sewer lines, and machinery and equipment.

Major capital asset events during the current fiscal year included the following:

Project	Amount
2020 Vac-Con Flusher Truck	$ 358,779
Unity Park Entry – Kids Kastle	282,602
Sunset Point Park	131,038
Production/Automation – Council Chambers	75,283
2020 Ford F350 Super	45,961
2020 Ford F350 Super	45,318
2020 Ford F350 Super	44,940
2020 Ford F250 Super	40,871
2020 Ford F250 Super	38,473
2020 Ford F150 Super	36,278
Husqvarna Compaction Equipment LP 9505	31,445
2020 Ford F150 Super	30,862
2020 Ford F150 Super	30,862
508-128 High-Powered Outdoor Siren	28,648

TABLE 3

CITY OF HIGHLAND VILLAGE'S CAPITAL ASSETS AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Land	$ 17,183,848	$ 17,183,848	$ 75,713	$ 75,713	$ 17,259,561	$ 17,259,561
Land improvements	14,651,683	15,276,101	-	-	14,651,683	15,276,101
Buildings and improvements	5,570,842	6,224,833	789,864	861,785	6,360,706	7,086,618
Distribution system	-	-	13,067,316	14,169,996	13,067,316	14,169,996
Equipment and machine	3,569,770	3,827,778	817,702	566,986	4,387,472	4,394,764
Infrastructure	15,193,420	16,172,149	8,605	9,219	15,202,025	16,181,368
Intagibles	142,127	210,483	-	798	142,127	211,281
Construction in progress	3,528,661	1,768,932	178,797	40,474	3,707,458	1,809,406
Total capital assets	$ 59,840,351	$ 60,664,124	$ 14,937,997	$ 15,724,971	$ 74,778,348	$ 76,389,095

Additional information on the City's capital assets can be found in Note D on pages 40-41 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonds outstanding of $33,490,000. Of this amount, $22,430,000 is tax-supported debt. The remainder of the City of Highland Village's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

TABLE 4

CITY OF HIGHLAND VILLAGE'S OUTSTANDING DEBT AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
General obligations	$ 13,590,000	$ 15,000,000	$ 4,520,000	$ 5,130,000	$ 18,110,000	$ 20,130,000
Combination tax and revenue certificates of obligation	8,260,000	8,765,000	6,540,000	6,820,000	14,800,000	15,585,000
Tax notes	580,000	865,000	-	-	580,000	865,000
	$ 22,430,000	$ 24,630,000	$ 11,060,000	$ 11,950,000	$ 33,490,000	$ 36,580,000

The City's total debt decreased by $3,090,000 during the current fiscal year. A key factor in this decrease was the scheduled debt payments of $3,090,000.

The City's tax supported debt is rated "AAA" by Standards & Poor's. The current ratio of tax-supported debt to assessed value of all taxable property is 0.9 percent.

Additional information on the City's outstanding debt can be found in Note F and G on page 42-44 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The fiscal year 2020-2021 budget was adopted by ordinance on September 15, 2020. The following summarizes the significant factors that were considered in adopting the budget.

- General fund revenues are budgeted to increase by .6% over FY 2020 original budget with property taxes making up 65% of the general fund budgeted revenues. While there was not a proposed property tax rate increase, the property tax taxable values increased by 1.9%. The Council approved a tax rate of $0.56302 per $100 valuation, with $0.478133 apportioned to maintenance and operation expenses and $0.084887 apportioned to pay interest and principle maturities on outstanding debt. Sales tax represents 16% of the budget general fund revenues. Sales tax collections are expected to increase .3% over the FY 2020 budgeted amount.

- General fund expenditures are budgeted to increase by 1.4% over the FY 2020 original budget.

    - Personnel expenditures represent 72% of budgeted general fund expenditures. The proposed total increase in personnel is $334,300 or 2.5% over FY 2020. The majority of this increase, $295,818, is related to an overall 3% salary increase. Overtime increased $56,438, primarily in the Fire Department, resulting from a switch to a 48 hour shift schedule. Base salaries will experience an $82,868 reduction resulting from turnover of tenured employees. And one new position, representing $89,175, was added for FY 2021. Health insurance is expected to decrease $59,426.

    - Supplies and services expenditures represent 26% of the budgeted general fund expenditures. Expenditures are expected to decrease by $271,362 or 5.3% from FY 2020. The majority of this decrease is related to street maintenance ($-110,000), as FY 2020 reflected a supplemental project of adding a new sidewalk adjacent to a middle school. Additionally, the contingency provision budgeted in the City Manager Department was decreased by $60,000.

    - Capital outlay expenditures represent 2% of the budgeted general fund expenditures. Capital expenditures are budgeted at $417,000 a $30,686 or 68% decrease from FY 2020 original budget. Each year capital budget is derived from an equipment replacement schedule, with intent to generally fund capital equipment in the range of $400,000 to $500,000.

- The water sales are budgeted at $5,696,163 representing a modest increase of just .4% over the budget for FY 2020. Wastewater sales are budgeted at $4,402,397 representing a slight decrease from FY 2020 budget to adjust estimates to reflect current trends in consumption.

- Water and wastewater expenses are budgeted at $8,401,178 representing a $237,536 or 3.1% decrease compared to FY 2020 budget. The majority of this decrease is related to last year budget including lift station replacement equipment not repeated in FY 2021.

Information on subsequent events is detailed in Note J on pages 50-51 of this report.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Highland Village, Finance Department, 1000 Highland Village Road, Highland Village, TX, 75077.

BASIC
FINANCIAL STATEMENTS

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	$ 12,472,641	$ 1,079,178	$ 13,551,819
Receivables (net of allowances for uncollectibles)			
Taxes	1,328,362	-	1,328,362
Accounts	169,834	1,657,223	1,827,057
Other	54,364	9,613	63,977
Inventories and prepaid items	75,193	265,283	340,476
Internal balances	(63,549)	63,549	-
Restricted cash and investments:			
Reserved bond debt service	-	661,685	661,685
Capital improvements	-	2,926,117	2,926,117
Construction	-	1,075,324	1,075,324
Customer deposits	-	123,975	123,975
Capital assets:			
Nondepreciable	20,712,509	254,510	20,967,019
Depreciable, net	39,127,842	14,683,487	53,811,329
Total capital assets	59,840,351	14,937,997	74,778,348
Total assets	73,877,196	22,799,944	96,677,140
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	167,658	57,638	225,296
Deferred outflows related to pensions	1,271,059	149,435	1,420,494
Deferred outflows related to post employment benefits	64,937	11,394	76,331
Total deferred outflows of resources	1,503,654	218,467	1,722,121

The accompanying notes are an integral part of these financial statements.

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2020

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accounts payable	712,404	928,805	1,641,209
Accrued liabilities	476,281	81,988	558,269
Retainage payable	-	2,290	2,290
Unearned revenue	143,930	-	143,930
Accrued interest	77,283	40,625	117,908
Customer deposits	-	123,975	123,975
Noncurrent liabilities:			
Due within one year:			
Long-term debt	3,116,841	1,030,748	4,147,589
Total OPEB liability	1,922	221	2,143
Due in more than one year:			
Long-term debt	20,711,957	10,339,624	31,051,581
Net pension liability	3,763,878	433,131	4,197,009
Total OPEB liability	385,711	44,386	430,097
Total liabilities	29,390,207	13,025,793	42,416,000
DEFERRED INFLOWS OF RESOURCES			
Deferred gain on refunding	-	16,531	16,531
Deferred inflows related to pensions	1,293,571	172,874	1,466,445
Deferred inflows related to post employment benefits	25,412	3,414	28,826
Total deferred inflows of resources	1,318,983	192,819	1,511,802
NET POSITION			
Net investment in capital assets	40,526,620	6,637,826	47,164,446
Restricted for:			
Debt service	72,637	-	72,637
Community development	109,677	-	109,677
Public safety	88,601	-	88,601
Utility drainage	333,898	-	333,898
Public broadcasting	118,660	-	118,660
Capital projects	-	1,075,324	1,075,324
Unrestricted	3,421,567	2,086,649	5,508,216
Total net position	$ 44,671,660	$ 9,799,799	$ 54,471,459

The accompanying notes are an integral part of these financial statements.

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2020

		Program Revenue		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	$ 5,312,238	$ 281,485	$ 2,680	$ 128,500
Public safety	8,772,628	572,373	957,025	-
Community services	498,662	319,158	-	-
Streets and drainage	2,857,021	508,950	-	-
Parks and recreation	4,939,557	900,259	-	12,507
Interest on long-term debt	641,904	-	-	-
Total governmental activities	23,022,010	2,582,225	959,705	141,007
Business-type activities:				
Water and wastewater	9,247,141	9,439,260	-	164,859
Total business-type activities	9,247,141	9,439,260	-	164,859
Total primary government	$ 32,269,151	$ 12,021,485	$ 959,705	$ 305,866

General revenues:
- Taxes:
  - Property taxes, levied for general purposes
  - Property taxes, levied for debt service
  - Franchise
  - Sales
- Unrestricted investment earnings
- Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
$(4,899,573)	$ -	$(4,899,573)
(7,243,230)	-	(7,243,230)
(179,504)	-	(179,504)
(2,348,071)	-	(2,348,071)
(4,026,791)	-	(4,026,791)
(641,904)	-	(641,904)
(19,339,073)	-	(19,339,073)
-	356,978	356,978
-	356,978	356,978
(19,339,073)	356,978	(18,982,095)
11,283,679	-	11,283,679
2,048,999	-	2,048,999
1,522,345	-	1,522,345
4,258,100	-	4,258,100
205,714	63,203	268,917
303,001	-	303,001
470,000	(470,000)	-
20,091,838	(406,797)	19,685,041
752,765	(49,819)	702,946
43,918,895	9,849,618	53,768,513
$ 44,671,660	$ 9,799,799	$ 54,471,459

CITY OF HIGHLAND VILLAGE, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2020

	General	Debt Service
ASSETS		
Cash and investments	$ 7,990,675	$ 126,236
Receivables, net		
Taxes	1,068,360	23,684
Accounts	169,834	-
Other	11,837	-
Due from other funds	10,011	-
Prepaid items	75,193	-
Total assets	9,325,910	149,920
LIABILITIES		
Accounts payable	616,316	-
Accrued liabilities	437,128	-
Due to other funds	-	-
Unearned revenue	86,958	-
Total liabilities	1,140,402	-
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue:		
Property taxes	128,810	23,684
Municipal court fines	48,706	-
Ambulance	41,931	-
Franchise fees	7,702	-
Park fees	5,759	-
Total deferred inflows of resources	232,908	23,684
FUND BALANCES		
Nonspendable - prepaid items	75,193	-
Restricted for:		
Debt service	-	126,236
Public parks, recreation, and related projects	-	-
Public safety - law enforcement operations	-	-
Utility drainage operations	-	-
Capital projects	-	-
Public broadcasting	-	-
Committed - park development and maintenance	-	-
Assigned for:		
Subsequent year's budget	612,636	-
City manager- professional services	77,105	-
Finance - professional services	37,500	-
Human resources - professional services	1,391	-
City secretary - records management	7,674	-
Information services - professional services	16,838	-
Public safety - police - services and supplies	54,985	-
Public safety - fire - services and supplies	6,807	-
Streets - maintenance and professional services	357,158	-
Maintenance - supplies and roof replacement	813,820	-
Parks - maintenance and supplies	53,778	-
Recreation - services	3,096	-
Unassigned	5,834,619	-
Total fund balances	7,952,600	126,236
Total liabilities, deferred inflows of resources, and fund balances	$ 9,325,910	$ 149,920

The accompanying notes are an integral part of these financial statements.

Capital Projects	Other Governmental	Total Governmental Funds
$ 3,227,242	$ 1,128,488	$ 12,472,641
-	236,318	1,328,362
-	-	169,834
2,500	40,027	54,364
-	-	10,011
-	-	75,193
3,229,742	1,404,833	14,110,405
6,980	89,108	712,404
-	39,153	476,281
-	73,560	73,560
-	56,972	143,930
6,980	258,793	1,406,175
-	-	152,494
-	-	48,706
-	-	41,931
-	-	7,702
-	9,120	14,879
-	9,120	265,712
-	-	75,193
-	-	126,236
-	109,677	109,677
-	88,601	88,601
-	333,898	333,898
3,222,762	-	3,222,762
-	118,660	118,660
-	486,084	486,084
-	-	612,636
-	-	77,105
-	-	37,500
-	-	1,391
-	-	7,674
-	-	16,838
-	-	54,985
-	-	6,807
-	-	357,158
-	-	813,820
-	-	53,778
-	-	3,096
-	-	5,834,619
3,222,762	1,136,920	12,438,518
$ 3,229,742	$ 1,404,833	$ 14,110,405

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CITY OF HIGHLAND VILLAGE, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

SEPTEMBER 30, 2020

Total fund balance, governmental funds		$ 12,438,518
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		59,840,351
Uncollected revenues are reported as unavailable resources in the governmental funds balance sheet, but are recognized as a revenue in the statement of activities.		
Property taxes	$ 152,494	
Ambulance fees	41,931	
Court fines	48,706	
Franchise taxes	7,702	
Park fees	14,879	
		265,712
Long-term liabilities, including bonds and tax notes payable, are not due and payable in the current period and are therefore not reported in the funds. Also, the loss on refunding of bonds and premium on issuance of bonds are not included in the funds. The details of these differences are as follows:		
Bonds payable	(22,430,000)	
Deferred amount on refunding	167,658	
Issuance premium	(256,967)	
Accrued interest	(77,283)	
Compensated absences	(1,141,831)	
		(23,738,423)
Included in the items related to long-term liabilities is the recognition of the City's net pension liability and deferred outflow and inflow of resources related to pensions.		
Deferred outflow related to pensions	1,271,059	
Deferred inflow related to pensions	(1,293,571)	
Deferred outflow related to post employment benefits	64,937	
Deferred inflow related to post employment benefits	(25,412)	
Total OPEB liability	(387,633)	
Net pension liability	(3,763,878)	
		(4,134,498)
Net position of governmental activities in the statement of net position		$ 44,671,660

The accompanying notes are an integral part of these financial statements.

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	General	Debt Service
REVENUES		
Taxes	$ 15,641,867	$ 2,042,924
Fines and forfeitures	88,543	-
Licenses, permits and fees	626,970	-
Intergovernmental	931,515	-
Charges for services	523,347	-
Investment earnings	143,580	4,874
Miscellaneous	303,001	-
Total revenues	18,258,823	2,047,798
EXPENDITURES		
Current:		
General government:		
City manager	765,138	-
Finance	1,703,456	-
Human resources	480,166	-
City secretary	288,705	-
Maintenance	937,781	-
Information technology	987,028	-
Public safety:		
Police	4,858,083	-
Fire	3,034,387	-
Community services	494,206	-
Streets and drainage	1,125,274	-
Parks and recreation	2,326,531	-
Debt service:		
Principal	-	2,200,000
Interest and other	-	648,114
Capital outlay	564,289	-
Total expenditures	17,565,044	2,848,114
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	693,779	(800,316)
OTHER FINANCING SOURCES (USES)		
Sale of capital assets	80,124	-
Transfers in	659,352	808,286
Transfers out	(136,000)	-
Total other financing sources and uses	603,476	808,286
NET CHANGE IN FUND BALANCES	1,297,255	7,970
FUND BALANCES, BEGINNING	6,655,345	118,266
FUND BALANCES, ENDING	$ 7,952,600	$ 126,236

The accompanying notes are an integral part of these financial statements.

Capital Projects	Other Governmental	Total Governmental Funds
$ -	$ 1,381,630	$ 19,066,421
-	-	88,543
-	1,333,831	1,960,801
128,500	40,697	1,100,712
-	-	523,347
54,370	2,890	205,714
-	-	303,001
182,870	2,759,048	23,248,539
-	-	765,138
-	13,205	1,716,661
-	-	480,166
-	-	288,705
-	-	937,781
-	-	987,028
-	13,238	4,871,321
-	4,381	3,038,768
-	-	494,206
-	491,803	1,617,077
248,000	939,957	3,514,488
-	-	2,200,000
-	-	648,114
2,029,959	200,289	2,794,537
2,277,959	1,662,873	24,353,990
(2,095,089)	1,096,175	(1,105,451)
-	-	80,124
129,267	136,000	1,732,905
(125,000)	(1,001,905)	(1,262,905)
4,267	(865,905)	550,124
(2,090,822)	230,270	(555,327)
5,313,584	906,650	12,993,845
$ 3,222,762	$ 1,136,920	$ 12,438,518

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CITY OF HIGHLAND VILLAGE, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2020

Net change in fund balances - total governmental funds:		$(555,327)
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over the assets' estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		
Capital outlay	$ 2,794,537	
Depreciation expense	(3,492,208)	
		(697,671)
In the statements of activities, only the loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets		(126,102)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The details of these differences are as follows:		
Property taxes	39,000	
Ambulance fees	22,257	
Court fines	(27,602)	
Franchise taxes	7,702	
Park fees	14,879	
		56,236
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while issuing debt increases long-term liabilities in the statement of net position. The repayment of the principal portion of bonds, capital leases and tax notes is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
Payments on bonds	1,915,000	
Payments on capital lease	-	
Payment on tax notes	285,000	
		2,200,000
Certain pension and other postemployment benefits expenditures are not expended in the government-wide financial statements and recorded as deferred resource outflows. This item relates to contributions made after the measurement date. Additionally, a portion of the City's unrecognized deferred resource outflows and inflows related to the pension and other post employment benefits liability were amortized.		(106,766)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences	(23,815)	
Accrued interest	6,830	
Amortization of deferred loss of refunding bonds	(39,413)	
Amortization of premium on bond issuances	38,793	
		(17,605)
Change in net position of governmental activities		$ 752,765

The accompanying notes are an integral part of these financial statements.

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENTS OF NET POSITION
ENTERPRISE - WATER AND WASTEWATER FUND

SEPTEMBER 30, 2020
(With Comparative Totals as of September 30, 2019)

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,079,178	$ 545,052
Accounts receivable, net	1,657,223	1,888,366
Other receivables	9,613	3,857
Inventories	260,718	269,701
Prepaid items	4,565	42,120
Due from other funds	63,549	63,549
Restricted cash and investments:		
Reserve bond debt service	661,685	661,921
Capital improvements	2,926,117	3,012,974
Construction	1,075,324	1,047,080
Customer deposits	123,975	137,470
Total current assets	7,861,947	7,672,090
Non-current assets:		
Capital assets:		
Nondepreciable capital assets	254,510	116,187
Depreciable capital assets, net of accumulated depreciation	14,683,487	15,608,784
Total capital assets	14,937,997	15,724,971
Total non-current assets	14,937,997	15,724,971
Total assets	22,799,944	23,397,061
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	57,638	73,180
Deferred outflows related to pensions	149,435	315,873
Deferred outflows related to other postemployment benefits	11,394	3,589
Total deferred outflows of resources	218,467	392,642

The accompanying notes are an integral part of these financial statements.

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENTS OF NET POSITION
ENTERPRISE - WATER AND WASTEWATER FUND

SEPTEMBER 30, 2020
(With Comparative Totals as of September 30, 2019)

	2020	2019
LIABILITIES		
Current liabilities:		
Accounts payable	928,805	525,262
Accrued expenses	81,988	78,944
Accrued interest	40,625	43,478
Retainage payable	2,290	-
Customer deposits	123,975	137,470
Current portion of long-term obligations	1,030,748	1,025,000
Total OPEB Liability	221	171
Total current liabilities	2,208,652	1,810,325
Noncurrent liabilities:		
Net pension liability	433,131	753,409
Total OPEB liability	44,386	55,808
Noncurrent portion of long-term obligations	10,339,624	11,265,822
Total non-current liabilities	10,817,141	12,075,039
Total liabilities	13,025,793	13,885,364
DEFERRED INFLOWS OF RESOURCES		
Deferred gain on refunding	16,531	18,495
Deferred inflows related to pensions	172,874	31,955
Deferred inflows related to other postemployment benefits	3,414	4,271
Total deferred inflows of resources	192,819	54,721
NET POSITION		
Net investment in capital assets	6,637,826	6,592,993
Restricted for capital projects	1,075,324	1,047,080
Unrestricted	2,086,649	2,209,545
Total net position	$ 9,799,799	$ 9,849,618

The accompanying notes are an integral part of these financial statements.

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CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
ENTERPRISE - WATER AND WASTEWATER FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2020
(With Comparative Totals For the Year Ended September 30, 2019)

	2020	2019
REVENUES		
Charges for services	$ 9,439,260	$ 9,112,051
Total operating revenues	9,439,260	9,112,051
OPERATING EXPENSES		
Administration	366,443	349,836
Maintenance and operations	7,375,539	7,274,512
Depreciation	1,320,353	1,261,148
Total operating expenses	9,062,335	8,885,496
OPERATING INCOME	376,925	226,555
NON-OPERATING REVENUES (EXPENSES)		
Interest and investment revenue	63,203	143,616
Gain on disposal of capital assets	135,250	-
Interest expense	(320,056)	(341,308)
Total non-operating revenues (expenses)	(121,603)	(197,692)
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	255,322	28,863
CAPITAL CONTRIBUTIONS	164,859	273,105
TRANSFERS OUT	(470,000)	(470,000)
CHANGE IN NET POSITION	(49,819)	(168,032)
TOTAL NET POSITION, BEGINNING	9,849,618	10,017,650
TOTAL NET POSITION, ENDING	$ 9,799,799	$ 9,849,618

The accompanying notes are an integral part of these financial statements.

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENTS OF CASH FLOWS
ENTERPRISE - WATER AND WASTEWATER FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2020
(With Comparative Totals For the Year Ended September 30, 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and users	$ 9,651,152	$ 8,734,058
Cash paid to suppliers for goods and services	(5,845,929)	(6,678,124)
Cash paid to employees for services	(1,475,883)	(1,351,079)
Net cash provided by operating activities	2,329,340	704,855
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to other funds	(470,000)	(470,000)
Net cash used for noncapital financing activities	(470,000)	(470,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of capital assets	135,250	-
Acquisition of capital assets	(531,089)	(806,112)
Principal paid on bonds	(890,000)	(790,000)
Capital contributions	164,859	273,105
Interest and other charges paid on debt	(339,781)	(428,781)
Net cash used by capital and related financing activities	(1,460,761)	(1,751,788)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings	63,203	143,616
Net cash provided by investing activities	63,203	143,616
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	461,782	(1,373,317)
CASH AND CASH EQUIVALENTS, BEGINNING	5,404,497	6,777,814
CASH AND CASH EQUIVALENTS, ENDING	$ 5,866,279	$ 5,404,497
(Including $4,787,101 and $4,859,445 reported as restricted cash and investments)		

The accompanying notes are an integral part of these financial statements.

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENTS OF CASH FLOWS
ENTERPRISE - WATER AND WASTEWATER FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2020
(With Comparative Totals For the Year Ended September 30, 2019)

	2020	2019
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 376,925	$ 226,555
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,320,353	1,261,148
Changes in assets, deferred outflows, liabilities and deferred inflows:		
Decrease (increase) in assets and deferred outflows:		
Customer receivable	231,143	(353,818)
Other receivables	(5,756)	3,745
Inventories	8,983	(28,567)
Prepaid and other assets	37,555	(18,971)
Deferred outflow related to pensions	166,438	(192,273)
Deferred outflow related to OPEB	(7,805)	(611)
Increase (decrease) in liabilities and deferred inflows:		
Accounts payable	403,543	(452,210)
Accrued liabilities	3,044	8,859
Customer deposits	(13,495)	(27,920)
Compensated absences	-	(11,584)
Other post employment benefits	(11,372)	17,480
Net pension liability	(320,278)	376,102
Deferred inflow related to pensions	140,919	(107,351)
Deferred inflow related to OPEB	(857)	4,271
Net cash provided by operating activities	$ 2,329,340	$ 704,855

The accompanying notes are an integral part of these financial statements.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Highland Village adopted a Home Rule Charter in April 1985 and operates under a Council-Manager form of government. All powers of the City are vested in an elected Council, which enacts local legislation, adopts budgets, determines policies and appoints the City Manager. The City Manager is responsible for executing the laws and administering the government of the City. The City Council consists of seven members, a mayor and six Councilpersons elected by the City's residents.

The City's Comprehensive Annual Financial Report presents the financial position, changes in financial position and cash flows where applicable of the City. The reporting entity is the primary government and those component units for which the primary government is financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government.

City of Highland Village voters, in November 2004, approved, in a special election, the creation of the Highland Village Community Development Corporation. The Corporation was formed for the purpose of funding public parks, recreation, and projects from revenues derived from a one-half cent sales tax within the City of Highland Village. The City Council appoints a board and board members are removable by the City Council, for cause or at will. Four out of seven board members are on City Council. In the event of dissolution title of all the assets transfer to the City. The operational responsibility of the Community Development Corporation is managed essentially the same manner as other City programs and activities. The Community Development Corporation is reported as a Special Revenue Fund. Financial statement information can be obtained by contacting the Highland Village Community Development Corporation, 1000 Highland Village Rd., Highland Village, Texas 75077.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures relating to compensated absences and claims and judgments, are recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund – is the operating fund of the City. It is utilized to account for all financial resources except those required to be accounted for in other funds.

Debt Service Fund – is utilized to account for the accumulation of financial resources for, and the payment of general long-term debt principal, interest, and related costs arising from general obligation bonds.

Capital Projects Fund – is used typically funded from serial bond proceeds, legally authorized debt instruments issued for specific projects, or funds from settlements or assessments that correspond to capital projects.

The City reports the following major proprietary fund:

Enterprise – Water and Wastewater Fund – is used to account for the water and wastewater operations that are financed and operated in a manner similar to private business enterprises, where the intent of the City is that costs (expenses including depreciation) of providing services to the general public on a continuing basis be financed or recovered through user charges.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund include administration, maintenance and operations, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. Assets, Deferred Inflows/Outflows of Resources, Liabilities, and Net Position or Fund Balance

Cash and Investments

For the purposes of the statement of cash flows, cash equivalents are defined as short-term highly liquid investments with an original maturity of three months or less.

Investments in government pools are recorded at amortized cost. All other investments are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current traction between willing parties.

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined financial statements as cash and investments or restricted cash and investments. The City's cash and investments are considered as cash equivalents as they can be readily converted to cash at their carrying value.

Receivables and Payables

Activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

All trade receivables are shown net of allowance for uncollectible accounts based on an analysis of historical trends.

Property Taxes

Ad valorem taxes are levied from valuations assessed as of January 1 and recognized as revenue on the date of levy, on October 1. Property tax receivables are recognized when the City has an enforceable claim against the property owner. In the governmental funds, property tax revenue is recognized in the fiscal period for which the taxes are levied, provided that they become available. Available means collected within the current period, or expected to be collected soon enough thereafter, to be used to pay current liabilities. The City's availability period is 60 days. Taxes collected prior to the levy date to which they apply are recorded as deferred revenues and recognized as revenue of the period to which they apply.

Current taxes are due on October 1 and become delinquent if unpaid on February 1. Taxes unpaid as of February 1 are subject to penalty and interest as the City Council provides by ordinance. On January 1 of each year, a tax lien attaches to property to secure all taxes, penalties and interest ultimately imposed.

Unbilled Services

Utility operating revenues (water, sewer and refuse collection) are billed on monthly cycles. Customers are billed for periods ending the 15th of each month on the last day of the month. The City records estimated revenues for services delivered during the current fiscal year, which will be billed during the next fiscal year.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first out (FIFO) method. Inventories in governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than purchased.

Restricted Assets

Certain proceeds of the City's Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The "reserve bond debt service" account is used to report resources set aside to subsidize potential deficiencies from the City's operation that could adversely affect debt service payments. The "construction funds" account is used to report those proceeds of revenue bond issuances that are restricted for use in construction.

Impact fees collected from developers to cover, in whole or in part, the anticipated costs of improvements that will be necessary as a result of the development are set aside in the "capital improvements" account.

Deposits collected from utility customers are set aside until repayment.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets within an initial, individual cost threshold by asset class and an estimated useful life in excess of four years. Such assets are recorded at historical cost or an estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Depreciation expense is calculated principally on the straight-line method. Depreciation methods are designed to amortize the cost of the assets over their estimated useful lives. Estimated useful lives and capitalization thresholds of capital asset classes are as follows:

Capital Asset Class	Capitalization Threshold	Useful Life (Years)
Land	$ 50,000	Indefinite
Infrastructure	250,000	20
Buildings and Improvements	100,000	30
Land Improvements	50,000	20
Machinery and equipment	5,000	5 - 10
Intangibles	5,000	5 - 10

Accrued Vacation

It is the City's policy to grant employees vacation leave earned at the rate of 10 days a year for at least one but less than 5 years continuous service, 15 days for at least 5 but less than 10 years continuous service, and 20 days for at least 10 years continuous service. Upon termination, the employee shall be paid at the hourly rate of pay such employee was earning on the effective date of termination.

The City also grants employees sick leave earned at the rate of 12 days a year. Upon termination, employees are paid for one-half of the actual number of days earned up to a maximum of 45 days. Obligations under compensated absence arrangements are accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The City utilizes the last-in first-out method of recognizing the use of compensated absences. Thus, unless it is anticipated that compensated absences of governmental fund types will be used/paid in excess of a normal year's accumulation, no amount is classified as current.

Long-term Obligations

In the government-wide financial statements and the proprietary fund in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits

Supplemental Death Benefit. For purposes of measuring the total Texas Municipal Retirement System Supplemental Death Benefit Fund (TMRS SDBF) OPEB liability, related deferred outflows and inflows of resources, and expense, City specific information about its total TMRS SDBF liability and additions to/deductions from the City's total TMRS SDBF liability have been determined on the same basis as they are reported by TMRS. The TMRS SDBF expense and deferred (inflows)/outflows of resources related to TMRS SDBF, primarily result from changes in the components of the total TMRS SDBF liability. Most changes in the total TMRS SDBF liability will be included in TMRS SDBF expense in the period of the change. For example, changes in the total TMRS SDBF liability resulting from current-period service cost, interest on the total OPEB liability, and changes of benefit terms are required to be included in TMRS SDBF expense immediately. Changes in the total TMRS SDBF liability that have not been included in TMRS SDBF expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to TMRS SDBF.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

- Deferred charges on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

- Pension and other post-employment benefit contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.

- Changes in economic and demographic actuarial assumptions or of other inputs included in determining the pension and other post-employment benefit liability – these effects on the total pension liability are deferred and amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active or inactive employees).

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows or resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from four sources: property taxes, municipal court fines, ambulance, and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City also has several types of these items that are recorded under the full accrual basis of accounting as followed:

- It is the difference in expected and actual pension experience.

- The pension and OPEB difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

- The deferred gain is amortized over the shorter of the life of the refunded or refunding debt.

- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.

Fund Balance

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Non-spendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) are legally or contractually required to be maintained intact. Non-spendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by Ordinance of the City Council, the City's highest level of decision-making authority. These amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed.

- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council. The City does not have assigned fund balance at year-end.

- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Net Position

Net position represents the difference between assets, deferred outflows (inflows) of resources and liabilities. Net investment in capital assets consists of debt related to capital assets and accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Comparative Data and Reclassifications

Comparative total data for the prior year is presented only for the Enterprise Fund in the fund financial statements in order to provide an understanding of changes in the financial position and operations of this fund. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

2. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

Deposits and investments are made in accordance with the provisions of the bank depository agreement or in any negotiable instrument the Council has authorized under the City's approved investment policy and the provisions of the Public Funds Investment Act of 1987, as amended.

Investments held at year-end are as follows:

	Carrying Value	Weighted Average Maturity (Days)
TexPool	$ 2,599,240	36
TexStar	3,425,229	18
Total investments	$ 6,024,469	

Cash and investments are reported as restricted assets as required by debt issues and City ordinance. The monies in government investment pools represent investments in TexPool and TexStar, investment pools for state and local governments in Texas. The State Comptroller of Public Accounts exercises oversight responsibilities over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an Advisory Board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

The Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code (the "Act"), provide for the creation of public funds investment pools, such as Texas Short-term Reserve Fund ("TexStar"), and TexPool, through which political subdivisions and other entities may invest public funds.

J.P. Morgan Fleming Asset Management (USA), Inc. ("JPMFAM") and First Southwest Asset Management, Inc. ("FSAM") serve as co-administrators for TexStar under an agreement with the TexStar board of directors. JPMFAM provides investment service and FSAM provides participant services and marketing. Custodial, transfer agency, fund accounting and depository services are provided by J.P. Morgan Chase Bank and/or its subsidiary, J.P. Morgan Investor Services Co. TexStar bylaws provide for a five-member board of directors consisting of three representatives of participants and one member designated by each of the co-administrators.

TexPool and TexStar have a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

Both TexPool and TexStar are rated AAAm by Standard & Poor's. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as the office of the Comptroller of Public Accounts for review.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or a deposit. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investments are with TexPool and TexStar with maturities of less than one year.

Credit Risk. Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. All investment pools' policies require a rating of AA or better from a nationally recognized rating agency.

Concentration of Credit Risk. The City's investments are issued or explicitly guaranteed by external investment pools, which are not considered to provide a concentration of credit risk.

Custodial Credit Risk. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act requires that a financial institution secure deposits made by state or local government entities by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The fair value of the pledged securities in the collateral pool must equal at least the bank balances less FDIC insurance at all times. The City's cash deposits in the bank on September 30, 2020, were covered by federal depository insurance or by collateral held by the City's agent in the City's name.

B. Receivables

Receivables as of year-end for the City's individual major funds and nonmajor governmental funds, including the applicable allowance for estimated uncollectible accounts, are as follows:

	General	Debt Service	Capital Projects	Nonmajor Governmental	Enterprise	Total
Receivables:						
Taxes	$ 1,068,360	$ 23,684	$ -	$ 236,318	$ -	$ 1,328,362
Accounts	669,423	-	-	-	1,542,463	2,211,886
Unbilled	-	-	-	-	515,797	515,797
Other	11,837	-	2,500	40,027	9,613	63,977
Gross receivables	1,749,620	23,684	2,500	276,345	2,067,873	4,120,022
Less: allowance for uncollectibles	(499,589)	-	-	-	(401,037)	(900,626)
Net total receivables	$ 1,250,031	$ 23,684	$ 2,500	$ 276,345	$ 1,666,836	$ 3,219,396

At the end of the current fiscal year, the various components of *unearned revenue* reported in the governmental funds were as follows:

General fund:	
Franchise taxes	$ 4,702
Park fees	733
Unspent grant funds	29,809
Service	51,714
Total general fund	86,958
Nonmajor governmental fund:	
Parks fees	56,972
Total nonmajor governmental fund	56,972
Total governmental funds	$ 143,930

C. Interfund Balances and Transfers

Interfund balances as of year-end were as follows:

Receivable Fund	Payable Fund	Amounts
Water and Wastewater	Nonmajor governmental fund	63,549
General Fund	Nonmajor governmental fund	10,011

Balances resulted from the lag between the dates that payments for expenditures are made and the date an agency reimbursed the City.

The following is a summary of transfers:

	Transfers in				
Transfers out	General	Debt Service	Capital Projects	Nonmajor Governmental	Total
General	$ -	$ -	$ -	$ 136,000	$ 136,000
Capital projects	125,000	-	-	-	125,000
Nonmajor governmental	64,352	808,286	129,267	-	1,001,905
Water and wastewater	470,000	-	-	-	470,000
	$ 659,352	$ 808,286	$ 129,267	$ 136,000	$ 1,732,905

The purpose of transfers is as follows:

- The transfer to non-major governmental funds was for a drainage fee associated with imperious square footage of public buildings.
- The transfer from the Nonmajor Governmental Fund to the Debt Service Fund is a for debt service payments made on behalf of the HVCDC.
- The transfer from Nonmajor Governmental Fund to the General Fund is for support services.
- The transfer from Nonmajor Governmental Fund to the Capital Projects Fund represents funds for a capital project.
- The transfer from the Water and Wastewater Fund to the General Fund represents a payment in lieu of taxes.
- The transfer from Capital Projects Fund to the General Fund is to fund a project paid by the General Fund.

D. Capital Assets

Capital asset activity for the year ended September 30, 2020, was as follows:

	Beginning Balance	Increases	Decreases/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 17,183,848	$ -	$ -	$ 17,183,848
Construction in progress	1,768,932	2,299,471	(539,742)	3,528,661
Total assets not being depreciated	18,952,780	2,299,471	(539,742)	20,712,509
Capital assets, being depreciated:				
Land improvements	24,806,060	444,032	(269,423)	24,980,669
Buildings and improvements	15,996,042	-	-	15,996,042
Equipment	10,020,630	464,674	(422,929)	10,062,375
Infrastructure	41,904,326	-	-	41,904,326
Intangibles	537,690	-	-	537,690
Total capital assets being depreciated	93,264,748	908,706	(692,352)	93,481,102
Less accumulated depreciation:				
Land improvements	9,529,959	1,068,450	(269,423)	10,328,986
Buildings and improvements	9,771,209	653,991	-	10,425,200
Equipment	6,192,852	722,682	(422,929)	6,492,605
Infrastructure	25,732,177	978,729	-	26,710,906
Intangibles	327,207	68,356	-	395,563
Total accumulated depreciation	51,553,404	3,492,208	(692,352)	54,353,260
Total capital assets being depreciated, net	41,711,344	(2,583,502)	-	39,127,842
Governmental activities capital assets, net	$ 60,664,124	$(284,031)	$(539,742)	$ 59,840,351

	Beginning Balance	Increases	Decreases/ Reclassifications	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 75,713	$ -	$ -	$ 75,713
Construction in progress	40,474	138,323	-	178,797
Total assets not being depreciated	116,187	138,323	-	254,510
Capital assets, being depreciated:				
Buildings	1,469,616	-	-	1,469,616
Improvements other than buildings	35,534,236	-	-	35,534,236
Equipment	2,002,068	395,056	(285,082)	2,112,042
Infrastructure	617,553	-	-	617,553
Intangibles	81,737	-	-	81,737
Total capital assets being depreciated	39,705,210	395,056	(285,082)	39,815,184
Less accumulated depreciation:				
Buildings	607,831	71,921	-	679,752
Improvements other than buildings	21,364,240	1,102,680	-	22,466,920
Equipment	1,435,082	144,340	(285,082)	1,294,340
Infrastructure	608,334	614	-	608,948
Intangibles	80,939	798	-	81,737
Total accumulated depreciation	24,096,426	1,320,353	(285,082)	25,131,697
Total capital assets being depreciated, net	15,608,784	(925,297)	-	14,683,487
Business-type activities capital assets, net	$ 15,724,971	$(786,974)	$ -	$ 14,937,997

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:	
City manager	$ 10,936
Finance	31,318
Human resources	3,982
City secretary	17,454
Information Services	63,282
Maintenance	34,225
Community services	7,835
Police	299,305
Fire	446,133
Streets and drainage	1,233,808
Park and recreation	1,343,930
Total depreciation expense - governmental activities	$ 3,492,208
Business-type activities:	
Water and wastewater	$ 1,320,353
Total depreciation expense - business-type activities	$ 1,320,353

E. Construction Commitments

The City has active construction projects as of September 30, 2020. At year-end the City's commitments with contractors are as follows:

Projects	Spent to Date	Remaining Commitment
Governmental activities:		
Highland Village Rd. Phase II-A – Engineering only	$ 68,383	$ 11,918
ICS CAD/RMS Software	341,095	45,653
Roof Replacement	834,384	700,040
2018 Street Improvements	1,775,468	88,548
Victoria Park Sidewalk Improvements – Engineering only	27,780	620
Unity Softball Fields	1,039,844	45,952
Unity Pond Expansions	11,650	2,850
Chapel Hill Sidewalk Improvements - Engineering only	16,185	10,465
Kids Kastle Community Playground	670,739	322,619
Business activities:		
Spruce Drive Water Line Replacement – Engineering only	$ 4,135	$ 565
12" Water Line Northwest of City – Engineering only	52,561	90,800
Glenmere, Camden, Turpin, La Mesa Water and Sewer Line	63,712	19,488
Lake Vista Well Lot and Facililities	29,145	91,645
Highland Shores Ground Storage Tank Repair	38,045	190,811

F. Long-term Debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital projects. General obligation bonds are payable and pledged from the levy and collection of a direct and continuing annual ad valorem tax. General obligation bonds currently outstanding are as follows:

	Interest Rates	Date Issued	Maturity Date	Amount of Original Issue	Amount Outstanding
Governmental activities:					
General obligation refunding and improvement bonds	2.00 - 4.00	2011	2022	4,070,000	$ 440,000
General obligation refunding and improvement bonds - Direct Placement	2.04	2015	2028	7,700,000	5,325,000
General obligation refunding bonds - Direct Placement	2.28	2017	2029	2,435,000	1,230,000
General obligation refunding and improvement bonds	3.00 - 4.00	2018	2038	6,905,000	6,595,000
Total governmental activities					13,590,000
Business-type activities:					
General obligation refunding bonds	2.00 - 3.00	2012	2024	4,565,000	1,340,000
General obligation refunding bonds - Direct Placement	2.28	2017	2029	4,050,000	3,180,000
Total business-type activities					4,520,000
Total general obligation bonds outstanding					$ 18,110,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

General Obligation Bonds

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2021	$ 490,000	$ 214,200	$ 320,000	$ 35,400
2022	510,000	194,200	330,000	25,650
2023	295,000	178,100	340,000	15,600
2024	310,000	167,550	350,000	5,250
2025	315,000	158,175	-	-
2026-2030	1,730,000	640,800	-	-
2031-2035	2,020,000	360,000	-	-
2036-2039	1,365,000	62,325	-	-
Total	$ 7,035,000	$ 1,975,350	$ 1,340,000	$ 81,900

General Obligation Bonds - Direct Placement

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2021	$ 955,000	$ 126,525	$ 300,000	$ 68,933
2022	980,000	106,083	310,000	61,994
2023	1,145,000	83,685	320,000	54,828
2024	1,180,000	59,230	320,000	47,548
2025	630,000	40,392	390,000	39,471
2026-2030	1,665,000	45,135	1,540,000	67,454
Total	$ 6,555,000	$ 461,050	$ 3,180,000	$ 340,228

Combination Tax and Revenue Certificates of Obligation

The City also issues bonds where the government pledges a combination of the levy and collection of a direct and continuing annual ad valorem tax plus a limited pledge ($2,500) of the net revenues from the Water and Sewer System to pay debt service. Combination tax and revenue certificates of obligation have been issued for both governmental and business-type activities. Combination tax and revenue certificates of obligation outstanding at year-end are as follows:

	Interest Rates	Date Issued	Maturity Date	Amount of Original Issue	Amount Outstanding
Governmental activities:					
Combination tax and revenue certificates of obligation	2.00 - 3.50	2012	2032	2,795,000	$ 2,015,000
Combination tax and revenue certificates of obligation	2.00 - 4.00	2014	2034	7,020,000	6,245,000
Total governmental activities					$ 8,260,000
Business-type activities:					
Combination tax and revenue certificates of obligation	2.00 - 4.00	2013	2034	4,540,000	3,880,000
Combination tax and revenue certificates of obligation	3.00 - 4.00	2018	2028	2,715,000	2,660,000
Total business-type activities					6,540,000
Total certificates of obligation outstanding					$ 14,800,000

Combination tax and revenue certificates of obligation debt service requirements to maturity are as follows:

Certificates of Obligation

Year Ending	Governmental Activities		Business-type Activities	
September 30,	Principal	Interest	Principal	Interest
2021	$ 515,000	$ 242,578	$ 295,000	$ 208,806
2022	530,000	230,702	295,000	201,269
2023	540,000	218,040	300,000	193,181
2024	555,000	204,578	315,000	184,519
2025	570,000	189,828	385,000	173,106
2026-2030	3,090,000	689,669	2,150,000	645,346
2031-2035	2,460,000	168,770	2,200,000	258,771
2036-2039	-	-	600,000	28,316
Total	$ 8,260,000	$ 1,944,165	$ 6,540,000	$ 1,893,314

Tax Notes

The City also issues tax notes for the purpose of paying contractual obligations to be incurred for the acquisition of equipment and construction of certain land improvements. The tax notes are payable from proceeds of ad valorem tax levied upon all taxable property in the City. Tax notes currently outstanding at year-end are as follows:

	Interest Rates	Date Issued	Maturity Date	Amount of Original Issue	Amount Outstanding
Governmental activities:					
Tax Note	1.590 %	2015	2022	$ 1,535,000	$ 580,000

Tax Notes debt service requirements to maturity are as follows:

Tax Notes - Direct Placement

Year Ending September 30,	Governmental Activities Principal	Interest
2021	$ 290,000	$ 6,917
2022	290,000	2,306
Total	$ 580,000	$ 9,223

G. Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligations	$ 15,000,000	$ -	$ 1,410,000	$ 13,590,000	$ 1,445,000
Combination tax and revenue CO	8,765,000	-	505,000	8,260,000	515,000
Tax note	865,000	-	285,000	580,000	290,000
Issuance premium	295,763	-	38,796	256,967	38,796
Total bonds payable	24,925,763	-	2,238,796	22,686,967	2,288,796
Compensated absences	1,118,013	834,590	810,772	1,141,831	828,045
Governmental activities long-term liabilities	$ 26,043,776	$ 834,590	$ 3,049,568	$ 23,828,798	$ 3,116,841

The General Fund has typically been used to liquidate governmental activities compensated absences, the net pension liability, and the total OPEB liability.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Bonds payable:					
General obligation bonds	$ 5,130,000	$ -	$ 610,000	$ 4,520,000	$ 620,000
Combination tax and revenue CO	6,820,000	-	280,000	6,540,000	295,000
Issuance premium	220,624	-	29,053	191,571	29,053
Total bonds payable	12,170,624	-	919,053	11,251,571	944,053
Compensated absences	120,198	86,317	87,714	118,801	86,695
Business-type activities long-term liabilities	$ 12,290,822	$ 86,317	$ 1,006,767	$ 11,370,372	$ 1,030,748

Additionally, certain obligations that were marketed as direct placements have been separately identified; however, the terms of these obligations are not significantly different than other obligations and do not have substantive acceleration clauses. Should the City default on these bonds, any registered owner of the obligations is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make payment.

H. Retirement Plan

Plan Descriptions. The City participates as one of 888 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at *www.tmrs.com*.

All eligible employees of the City are required to participate in TMRS.

Benefits Provided. TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The City has approved an annually repeating (automatic) basis a monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, City provides on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

A summary of plan provisions for the City are as follows:

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5 years
Service retirement eligibility	20 years to any age, 5 years at age 60 and above
Updated Service Credit	100% repeating
Annuity increase to retirees	70% of CPI repeating

Employees covered by benefit terms

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	83
Inactive employees entitled to but not yet receiving benefits	109
Active employees	151
	343

Contributions. The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are with 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contributions rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 13.35% and 13.31% in calendar years 2019, and 2020, respectively. The City's contributions to TMRS for the years ended September 30, 2020 and September 30, 2019 were $1,427,239 and $1,396,511, respectively, and were equal to the required contributions.

Net Pension Liability. The City's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statue. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2019	$ 43,481,936	$ 36,730,956	$ 6,750,980
Changes for the year:			
Service cost	1,845,710	-	1,845,710
Interest	2,960,334	-	2,960,334
Difference between expected and actual experience	352,042	-	352,042
Changes of assumptions	89,119	-	89,119
Contributions - employer	-	1,410,431	(1,410,431)
Contributions - employee	-	739,552	(739,552)
Net investment income	-	5,684,242	(5,684,242)
Benefit payments, including refunds of employee contributions	(1,095,988)	(1,095,988)	-
Administrative expense	-	(32,086)	32,086
Other changes	-	(963)	963
Net changes	4,151,217	6,705,188	(2,553,971)
Balance at 12/31/2020	$ 47,633,153	$ 43,436,144	$ 4,197,009

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 11,721,766	$ 4,197,009	$(1,901,847)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. The report may be obtained on the Internet at *www.tmrs.com.*

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions. For the year ended September 30, 2020, the City recognized pension expense of $1,621,673. At September 30, 2020, the City reported deferred outflows and inflows related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 269,789	$ 162,886
Changes in actuarial assumptions	68,297	-
Difference between projected and actual investment earnings	-	1,303,559
Contributions subsequent to the measurement date	1,082,408	-
Totals	$ 1,420,494	$ 1,466,445

$1,082,408 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ended September 30,	
2021	$(357,175)
2022	(322,543)
2023	163,478
2024	(612,119)

I. Defined Other Post-Employment Benefit Plan – TMRS Supplemental Death Benefits Fund

Plan Description. The City voluntarily participates in a single-employer other postemployment benefit (OPEB) plan administered by TMRS. The Plan is a group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). The Plan is established and administered in accordance with the TMRS Act identically to the City's pension plan. SDBF includes coverage for both active and retired members, and assets are commingled for the payment of such benefits. Therefore, the Plan does not qualify as an OPEB Trust in accordance with paragraph 4 of GASB Statement No. 75.

Benefits Provided. The SDBF provides group-term life insurance to City employees who are active members in TMRS, including or not including retirees. The City Council opted into this program via an ordinance, and may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other employment benefit and is a fixed amount of $7,500.

The number of employees currently covered by the benefit terms is as follows:

Inactive employees or beneficiaries currently receiving benefits	51
Inactive employees entitled to but not yet receiving benefits	21
Active employees	151
Total	223

Contributions. The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.15% for 2020 and 0.15% for 2019, of which 0.02% and 0.02%, respectively, represented the retiree-only portion for each year, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The City's contributions to the SDBF for the years ended September 30, 2020 and 2019 were $16,073 and $15,634, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

Total OPEB Liability

The City's total OPEB liability of was measured as of December 31, 2019 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs. The Total OPEB Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation rate	2.50% per annum
Discount rate	2.75%
Actuarial cost method	Entry Age Normal Method
Projected salary increases	3.50% to 11.5% including inflation

Administrative expenses for the SDBF are paid through the TMRS Pension Trust Fund and are wholly accounted for under the provisions of GASB Statement No. 68.

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Discount Rate. The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. As such, a single discount rate of 2.75% was used to measure the total OPEB liability. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2019.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.75%) in measuring the Total OPEB Liability.

	1% Decrease in Discount Rate (1.75%)	Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
Total OPEB Liability	$ 528,266	$ 432,240	$ 357,944

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2019	$ 342,800
Changes for the year:	
Service cost	17,961
Interest	13,012
Difference between expected and actual experience	(8,636)
Changes of assumptions	69,216
Benefit payments	(2,113)
Net changes	89,440
Balance at 12/31/2020	$ 432,240

Changes in assumptions and other inputs reflect a change in the discount rate from 3.71% to 2.75%.

OPEB Expense, and Deferred Outflows and Inflows of Resources Related to OPEB. For the year ended September 30, 2020, the City recognized OPEB expense of $40,140. There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period.

At September 30, 2020, the City reported deferred outflows and inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 9,945
Changes in actuarial assumptions	74,705	18,881
Contributions subsequent to the measurement date	1,626	-
Totals	$ 76,331	$ 28,826

$1,626 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB Liability for the year ending September 30, 2021. Other amounts of the reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended September 30,	
2021	$ 9,167
2022	9,167
2023	9,167
2024	7,618
2025	6,358
Thereafter	4,402

J. Commitments and Contingencies

Upper Trinity Regional Water District ("UTRWD")

The City of Highland Village entered into a contract with the Upper Trinity Regional Water District Lakeview Regional Water Reclamation System (sewer plant), in June 1995, to meet its long-term wastewater treatment needs. The UTRWD has issued a series of bonds to provide for capital funding for the expansion and refurbishment of the Lakeview Sewer Plant and to construct the regional sewer system with all of said bonds to be payable from and secured by annual payments made by participating members. In fiscal year 2020, the City's subscribed capacity in the regional system is 1.65 million gallons per day (MGD). The City paid fixed operations and maintenance cost of $403,500/MGD, $671,540/MGD for joint facilities, and $232,540 for facilities specific to Highland Village. The volume rate for treatment (including transportation charge) is $1.25/1,000 gallons.

In fiscal year 2020 the City has a commitment with the UTRWD to take 3 million gallons per day (MGD) of treated water. The volume charge is $1.12/1,000 gallons, with an annual demand charge of $448,745/MGD.

For fiscal year 2021, the City's subscribed capacity in the regional system is 1.65 million gallons per day (MGD). The City is committed to pay fixed operations and maintenance cost of $403,500/MGD, facility charges of $685,095 for joint facilities, and $232,408 annually for facilities specific to Highland Village. The volume rate for treatment (including transportation charge) is $1.25/1,000 gallons.

In fiscal year 2021, the City has a commitment with the UTRWD to take 3 million gallons per day (MGD) of treated water. The volume charge is $1.16/1,000 gallons, with an annual demand charge of $455,150/MGD.

Encumbrances

Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget. At year-end the amount of encumbrances expected to be honored in the next year were as follows:

Fund	Amount
General	$ 1,430,152
Other governmental	253,334
Total	$ 1,683,486

Lawsuits

The City has been named as a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City's general liability and property coverage is insured by the Texas Municipal League Intergovernmental Risk Pool, a public entity risk pool. The City's only responsibility to the Fund is to pay premiums for insurance and related deductible amounts of these policies. Other risk of loss is covered by commercial insurance. Settlements of claims have not exceeded coverage in the past three years.

COVID-19

In early March 2020, the COVID-19 virus was declared a global pandemic, and it continues to cause market fluctuations. Business continuity and financial markets, including supply chains and consumer demand across a broad range of industries and countries, could be severely impacted for months or more, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time.

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REQUIRED
SUPPLEMENTARY INFORMATION

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (GAAP BASIS)
GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Taxes	$ 15,759,648	$ 15,759,648	$ 15,641,867	$(117,781)
Fines and forfeitures	111,180	111,180	88,543	(22,637)
Licenses, permits and fees	838,087	838,087	626,970	(211,117)
Intergovernmental	-	909,535	931,515	21,980
Charges for services	525,545	525,545	523,347	(2,198)
Investment earnings	160,000	160,000	143,580	(16,420)
Miscellaneous	140,550	140,550	303,001	162,451
Total revenues	17,535,010	18,444,545	18,258,823	(185,722)
EXPENDITURES				
Current:				
General government:				
City manager:				
Personnel	442,431	462,431	542,623	(80,192)
Services and supplies	277,991	287,991	222,515	65,476
Capital outlay	-	9,000	-	9,000
Total city manager	720,422	759,422	765,138	(5,716)
Finance:				
Personnel	1,049,709	1,129,709	1,111,346	18,363
Services and supplies	670,532	670,532	592,110	78,422
Total finance	1,720,241	1,800,241	1,703,456	96,785
Human resources:				
Personnel	438,209	438,209	379,120	59,089
Services and supplies	128,842	128,842	101,046	27,796
Total human resources	567,051	567,051	480,166	86,885
City secretary:				
Personnel	225,750	195,750	174,013	21,737
Services and supplies	180,183	150,183	114,692	35,491
Total city secretary	405,933	345,933	288,705	57,228
Information technology:				
Personnel	700,543	725,543	713,376	12,167
Services and supplies	465,613	395,613	273,652	121,961
Total information technology	1,166,156	1,121,156	987,028	134,128
Maintenance:				
Personnel	363,489	363,489	357,838	5,651
Services and supplies	678,440	1,128,440	579,943	548,497
Capital outlay	30,000	35,000	30,862	4,138
Total maintenance	1,071,929	1,526,929	968,643	558,286

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (GAAP BASIS)
GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
Public safety:				
Police:				
Personnel	$ 4,649,527	$ 4,649,527	$ 4,527,841	$ 121,686
Services and supplies	405,082	425,082	330,242	94,840
Capital outlay	70,600	85,600	15,563	70,037
Total police	5,125,209	5,160,209	4,873,646	286,563
Fire:				
Personnel	2,592,218	2,727,218	2,698,506	28,712
Services and supplies	352,882	352,882	335,881	17,001
Capital outlay	164,086	44,086	35,393	8,693
Total fire	3,109,186	3,124,186	3,069,780	54,406
Community services:				
Personnel	373,052	488,052	476,353	11,699
Services and supplies	20,088	20,088	17,853	2,235
Total building operations	393,140	508,140	494,206	13,934
Streets and drainage:				
Personnel	838,744	728,744	703,236	25,508
Services and supplies	842,015	842,015	422,038	419,977
Capital outlay	95,000	140,000	38,473	101,527
Total streets and drainage	1,775,759	1,710,759	1,163,747	547,012
Parks and recreation:				
Personnel	1,479,563	1,514,563	1,470,502	44,061
Services and supplies	1,093,031	1,043,031	856,029	187,002
Capital outlay	88,000	438,000	443,998	(5,998)
Total parks and recreation	2,660,594	2,995,594	2,770,529	225,065
Total expenditures	18,715,620	19,619,620	17,565,044	2,054,576
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,180,610)	(1,175,075)	693,779	1,868,854
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	80,124	80,124
Transfers in	534,000	659,000	659,352	352
Transfers out	(136,000)	(166,000)	(136,000)	30,000
Total other financing sources and uses	398,000	493,000	603,476	110,476
NET CHANGE IN FUND BALANCE	(782,610)	(682,075)	1,297,255	1,979,330
FUND BALANCE, BEGINNING	6,655,345	6,655,345	6,655,345	-
FUND BALANCE, ENDING	$ 5,872,735	$ 5,973,270	$ 7,952,600	$ 1,979,330

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BUDGETARY BASIS OF ACCOUNTING

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Special Revenue Funds and the Debt Service Fund. The Capital Project Funds are appropriated on a project-length basis, except for the Park Development Fund, which is appropriated annually.

The appropriated budget is prepared by fund, department and three categories – personnel, services and supplies, and capital outlay. During the fiscal year, each department is responsible to not exceed the amounts budgeted in each of the three categories. Transfers of appropriations between categories or departments require the approval of council. Category subtotals of departmental expenditures thus provide the legal level of budgetary control.

Appropriations in all budgeted funds lapse at the end of the fiscal year. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget.

EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended September 30, 2020, expenditures exceed appropriation in the following fund, function, department and category.

Fund	Function/Department	Category	Amount
General	City Manager	Personnel	80,192
General	Parks and Recreation	Capital outlay	5,998
Public Safety	Fire	Services and Supplies	4,381

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

Measurement Date December 31,	**2014**	**2015**
A. Total pension liability		
Service Cost	$ 1,370,530	$ 1,535,928
Interest (on the Total Pension Liability)	1,983,761	2,177,527
Difference between expected and actual experience	(10,973)	(226,332)
Changes of assumptions	-	196,596
Benefit payments, including refunds of employee contributions	(650,592)	(665,253)
Net change in total pension liability	2,692,726	3,018,466
Total pension liability - beginning	27,979,470	30,672,196
Total pension liability - ending (a)	$ 30,672,196	$ 33,690,662
B. Plan fiduciary net position		
Contributions - employer	$ 1,070,712	$ 1,187,926
Contributions - employee	588,766	625,694
Net investment income	1,407,343	39,833
Benefit payments, including refunds of employee contributions	(650,592)	(665,253)
Administrative expense	(14,690)	(24,263)
Other	(1,208)	(1,197)
Net change in plan fiduciary net position	2,400,331	1,162,740
Plan fiduciary net position - beginning	24,595,321	26,995,652
Plan fiduciary net position - ending (b)	$ 26,995,652	$ 28,158,392
C. Net pension liability - ending (a) - (b)	$ 3,676,544	$ 5,532,270
D. Plan fiduciary net position as a percentage of total pension liability	88.01%	83.58%
E. Covered payroll	$ 8,410,947	$ 8,940,209
F. Net position liability as a percentage of covered payroll	43.71%	61.88%

Note: GASB Statement No. 68 requires 10 years of data to be provided in this schedule. As of September 30, 2020, only 6 years are included and additional years will be added in the future as the information becomes available.

2016	2017	2018	2019
$ 1,646,661	$ 1,710,282	$ 1,767,329	$ 1,845,710
2,307,773	2,521,112	2,735,944	2,960,334
(95,490)	(173,461)	(171,841)	352,042
-	-	-	89,119
(649,521)	(810,836)	(996,678)	(1,095,988)
3,209,423	3,247,097	3,334,754	4,151,217
33,690,662	36,900,085	40,147,182	43,481,936
$ 36,900,085	$ 40,147,182	$ 43,481,936	$ 47,633,153
$ 1,229,404	$ 1,325,468	$ 1,367,635	$ 1,410,431
651,959	680,226	706,528	739,552
1,903,485	4,336,041	(1,102,494)	5,684,242
(649,521)	(810,836)	(996,678)	(1,095,988)
(21,492)	(22,461)	(21,292)	(32,086)
(1,158)	(1,138)	(1,112)	(964)
3,112,677	5,507,299	(47,412)	6,705,188
28,158,392	31,271,069	36,778,368	36,730,956
$ 31,271,069	$ 36,778,368	$ 36,730,956	$ 43,436,144
$ 5,629,016	$ 3,368,814	$ 6,750,980	$ 4,197,009
84.75%	91.61%	84.47%	91.19%
$ 9,313,695	$ 9,717,511	$ 10,093,257	$ 10,565,024
60.44%	34.67%	66.89%	39.73%

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF PENSION CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

Fiscal Year Ended September 30,	**2014**	**2015**
Actuarial determined contribution	$ 1,049,673	$ 1,163,130
Contributions in relation to the actuarially determined contribution	1,049,673	1,163,130
Contribution deficiency (excess)	-	-
Covered payroll	8,329,839	8,859,846
Contributions as a percentage of covered payroll	12.60%	13.13%

Note: GASB Statement No. 68 requires 10 years of data to be provided in this schedule. As of September 30, 2020, only 7 years are included and additional years will be added in the future as the information becomes available.

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	26 Years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information There were no benefit change during this year.

2016	2017	2018	2019	2020
$ 1,258,570	$ 1,303,201	$ 1,362,529	$ 1,238,128	$ 1,427,239
1,258,570	1,303,201	1,362,529	1,238,128	1,427,239
-	-	-	-	-
9,517,623	9,628,107	10,031,460	9,235,981	10,715,294
13.22%	13.54%	13.58%	13.41%	13.32%

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFITS FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2020

Measurement Date December 31,	**2017**	**2018**	**2019**
A. Total OPEB liability			
Service Cost	$ 16,520	$ 20,187	$ 17,961
Interest (on the Total OPEB Liability)	11,181	11,678	13,012
Difference between expected and actual experience	-	(3,782)	(8,636)
Changes of assumptions	29,489	(27,003)	69,216
Benefit payments, including refunds of employee contributions	(1,944)	(2,019)	(2,113)
Net change in Total OPEB liability	55,246	(939)	89,440
Total OPEB liability - beginning	288,493	343,739	342,800
Total OPEB liability - ending	$ 343,739	$ 342,800	$ 432,240
B. Covered-employee payroll	$ 9,717,511	$ 10,093,257	$ 10,565,024
C. Total OPEB liability as a percentage of covered-employee payroll	3.54%	3.40%	4.09%

Notes to Schedule:

- No assets are accumulated in a trust for the SDB plan to pay related benefits that meets the criteria in paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

- This schedule is required to have 10 years of information. As of September 30, 2020, only 3 years are included and additional years will be added in the future as the information becomes available.

- Changes of assumptions generally includes the annual change in the municipal bond index rate.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Corps Leased Parks Fund – This fund is used to account for the operations of Corp Leased Parks. Park admission and usage fees charged to patrons are committed to finance operations.

Public Safety Fund – This fund accounts for funds received from local, state and federal sources for the purpose of supporting the City's Police and Fire programs.

Municipal Court Building Security Fund – The security building fund provides for the collection of court fees with each fine that is to be utilized for the security of the court. Expenditures are restricted to security systems, bailiffs, metal detectors, locks, electronic identification systems, etc.

Municipal Court Technology Fund – The state legislature has allowed for the creation of a Municipal Court Technology Fund to defray the costs related to technology in the court system. This fund accounts for the collection of technology fees charged to defendants for misdemeanor offences as a cost of court. These funds will be used to purchase software, PCs and any other technology items needed for the court.

Utility Drainage Fund – This fund is used to account for fees collected for the purpose of improving, upgrading and maintaining the City's drainage system. The City is mandated by the Texas Commission on Environmental Quality (TCEQ) to develop and maintain a Storm Water Management Plan in order to address capacity and quality issues and protect its residents and their properties from possible flooding and pollution problems. Drainage fees are collected by residents to fund the activities required to comply TCEQ regulations.

PEG Fee Fund – This fund is used to account for public, educational, and governmental (PEG) fees charged to cable users, which are restricted for the City's PEG channel.

Community Development Corporation – is used typically funded from serial bond proceeds, legally authorized debt instruments issued for specific projects, or funds from settlements or assessments that correspond to capital projects.

Capital Projects Fund – is used to account for financial resources to be used for the acquisition or construction of capital improvements (other than those financed by proprietary funds). Such resources are derived from proceeds of general obligation debt, other sources designated for capital improvements and interest earned on such monies.

Park Development Fund – This fund accounts for development fees charged to property developers, which are committed for development and maintenance of City parks.

CITY OF HIGHLAND VILLAGE, TEXAS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Special Revenue		
	Corps Leased Parks	Public Safety	Municipal Court Building Security
ASSETS			
Cash and investments	$ 482,108	$ 35,528	$ 38,197
Receivables:			
Taxes	-	-	-
Other	29,933	-	-
Total assets	512,041	35,528	38,197
LIABILITIES			
Accounts payable	44,496	3,810	-
Accrued liabilities	4,685	3,312	-
Due to other funds	-	-	-
Unearned revenue	49,162	-	-
Total liabilities	98,343	7,122	-
DEFERRED INFLOWS OF RESOURCES			
Unavailable - park fees	7,690	-	-
Total deferred inflows of resources	7,690	-	-
FUND BALANCES			
Restricted for:			
Community development	-	-	-
Public safety - law enforcement operations	-	28,406	38,197
Utility drainage operations	-	-	-
Public broadcasting	-	-	-
Committed - park development and maintenance	406,008	-	-
Total fund balances	406,008	28,406	38,197
Total liabilities, deferred inflows of resources, and fund balances	$ 512,041	$ 35,528	$ 38,197

Special Revenue				Capital Projects	Total
Municipal Court Technology	Utility Drainage	PEG Fee	Community Development Corporation	Park Development	Nonmajor Governmental Funds
$ 22,006	$ 361,831	$ 108,742	$ -	$ 80,076	$ 1,128,488
-	-	-	236,318	-	236,318
-	-	10,094	-	-	40,027
22,006	361,831	118,836	236,318	80,076	1,404,833
8	9,139	176	31,479	-	89,108
-	18,794	-	12,362	-	39,153
-	-	-	73,560	-	73,560
-	-	-	7,810	-	56,972
8	27,933	176	125,211	-	258,793
-	-	-	1,430	-	9,120
-	-	-	1,430	-	9,120
-	-	-	109,677	-	109,677
21,998	-	-	-	-	88,601
-	333,898	-	-	-	333,898
-	-	118,660	-	-	118,660
-	-	-	-	80,076	486,084
21,998	333,898	118,660	109,677	80,076	1,136,920
$ 22,006	$ 361,831	$ 118,836	$ 236,318	$ 80,076	$ 1,404,833

CITY OF HIGHLAND VILLAGE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Special Revenue		
	Corps Leased Parks	Public Safety	Municipal Court Building Security
REVENUES			
Sales tax	$ -	$ -	$ -
Licenses, permits and fees	595,308	-	2,724
Intergovernmental	-	40,697	-
Investment earnings	25	-	-
Total revenues	595,333	40,697	2,724
EXPENDITURES			
Current:			
General government:			
Finance	-	-	-
Public safety:			
Police	-	13,238	-
Fire	-	4,381	-
Community services:			
Streets and drainage	-	-	-
Parks and recreation	393,563	-	-
Capital outlay	-	-	-
Total expenditures	393,563	17,619	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	201,770	23,078	2,724
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	(20,352)	-
Total other financing sources and uses	-	(20,352)	-
NET CHANGE IN FUND BALANCES	201,770	2,726	2,724
FUND BALANCES, BEGINNING	204,238	25,680	35,473
FUND BALANCES, ENDING	$ 406,008	$ 28,406	$ 38,197

Special Revenue				Capital Projects	Total
Municipal Court Technology	Utility Drainage	PEG Fee	Community Development Corporation	Park Development	Nonmajor Governmental Funds
$ -	$ -	$ -	$ 1,381,630	$ -	$ 1,381,630
2,870	508,950	44,057	42,385	137,537	1,333,831
-	-	-	-	-	40,697
-	1,487	-	633	745	2,890
2,870	510,437	44,057	1,424,648	138,282	2,759,048
10,212	-	2,993	-	-	13,205
-	-	-	-	-	13,238
-	-	-	-	-	4,381
-	491,803	-	-	-	491,803
-	-	-	546,394	-	939,957
-	94,614	75,283	30,392	-	200,289
10,212	586,417	78,276	576,786	-	1,662,873
(7,342)	(75,980)	(34,219)	847,862	138,282	1,096,175
-	136,000	-	-	-	136,000
-	(16,000)	-	(836,286)	(129,267)	(1,001,905)
-	120,000	-	(836,286)	(129,267)	(865,905)
(7,342)	44,020	(34,219)	11,576	9,015	230,270
29,340	289,878	152,879	98,101	71,061	906,650
$ 21,998	$ 333,898	$ 118,660	$ 109,677	$ 80,076	$ 1,136,920

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budget			Variance With Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes	$ 2,047,295	$ 2,047,295	$ 2,042,924	$(4,371)
Investment earnings	8,000	8,000	4,874	(3,126)
Total revenues	2,055,295	2,055,295	2,047,798	(7,497)
EXPENDITURES				
Debt service:				
Principal	2,200,000	2,200,000	2,200,000	-
Interest and other charges	648,582	648,581	648,114	467
Total expenditures	2,848,582	2,848,581	2,848,114	467
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(793,287)	(793,286)	(800,316)	(7,030)
OTHER FINANCING SOURCES (USES)				
Transfers in	808,286	808,286	808,286	-
Total other financing sources and uses	808,286	808,286	808,286	-
NET CHANGE IN FUND BALANCE	14,999	15,000	7,970	(7,030)
FUND BALANCE, BEGINNING	118,266	118,266	118,266	-
FUND BALANCE, ENDING	$ 133,265	$ 133,266	$ 126,236	$(7,030)

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CORPS LEASED PARKS FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budget			Variance With Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Licenses, permits and fees	$ 433,475	$ 433,475	$ 595,308	$ 161,833
Investment earnings	200	200	25	(175)
Total revenues	433,675	433,675	595,333	161,658
EXPENDITURES				
Parks and recreation:				
Personnel	189,635	229,635	216,865	12,770
Services and supplies	281,218	241,218	176,698	64,520
Total expenditures	470,853	470,853	393,563	77,290
NET CHANGE IN FUND BALANCE	(37,178)	(37,178)	201,770	238,948
FUND BALANCE, BEGINNING	204,238	204,238	204,238	-
FUND BALANCE, ENDING	$ 167,060	$ 167,060	$ 406,008	$ 238,948

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PUBLIC SAFETY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budget			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental	$ 25,600	$ 40,600	$ 40,697	$ 97
Total revenues	25,600	40,600	40,697	97
EXPENDITURES				
Public safety:				
Police:				
Services and supplies	3,600	18,600	13,238	5,362
Fire:				
Services and supplies	-	-	4,381	(4,381)
Total expenditures	3,600	18,600	17,619	981
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	22,000	22,000	23,078	1,078
OTHER FINANCING SOURCES (USES)				
Transfer out	(22,000)	(22,000)	(20,352)	1,648
Total other financing sources (uses)	(22,000)	(22,000)	(20,352)	1,648
NET CHANGE IN FUND BALANCE	-	-	2,726	2,726
FUND BALANCE, BEGINNING	25,680	25,680	25,680	-
FUND BALANCE, ENDING	$ 25,680	$ 25,680	$ 28,406	$ 2,726

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
MUNICIPAL COURT BUILDING SECURITY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budget			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Licenses, permits and fees	$ 2,700	$ 2,700	$ 2,724	$ 24
Total revenues	2,700	2,700	2,724	24
EXPENDITURES	-	-	-	-
NET CHANGE IN FUND BALANCE	2,700	2,700	2,724	24
FUND BALANCE, BEGINNING	35,473	35,473	35,473	-
FUND BALANCE, ENDING	$ 38,173	$ 38,173	$ 38,197	$ 24

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
MUNICIPAL COURT TECHNOLOGY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budget			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Licenses, permits and fees	$ 3,500	$ 3,500	$ 2,870	$(630)
Total revenues	3,500	3,500	2,870	(630)
EXPENDITURES				
General government:				
Services and supplies	17,640	17,640	10,212	7,428
Total expenditures	17,640	17,640	10,212	7,428
NET CHANGE IN FUND BALANCE	(14,140)	(14,140)	(7,342)	6,798
FUND BALANCE, BEGINNING	29,340	29,340	29,340	-
FUND BALANCE, ENDING	$ 15,200	$ 15,200	$ 21,998	$ 6,798

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
UTILITY DRAINAGE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budget			Variance With Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Licenses, permits and fees	$ 500,000	$ 500,000	$ 508,950	$ 8,950
Investment earnings	4,000	4,000	1,487	(2,513)
Total revenues	504,000	504,000	510,437	6,437
EXPENDITURES				
Street and drainage:				
Personnel	379,617	379,617	365,405	14,212
Services and supplies	138,385	153,385	126,398	26,987
Capital outlay	120,000	120,000	94,614	25,386
Total expenditures	638,002	653,002	586,417	66,585
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(134,002)	(149,002)	(75,980)	73,022
OTHER FINANCING SOURCES (USES)				
Transfers in	136,000	136,000	136,000	-
Transfers out	(16,000)	(16,000)	(16,000)	-
Total other financing sources (uses)	120,000	120,000	120,000	-
NET CHANGE IN FUND BALANCE	(14,002)	(29,002)	44,020	73,022
FUND BALANCE, BEGINNING	289,878	289,878	289,878	-
FUND BALANCE, ENDING	$ 275,876	$ 260,876	$ 333,898	$ 73,022

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PEG FEE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budget			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
PEG fees	$ 52,000	$ 52,000	$ 44,057	$(7,943)
Total revenues	52,000	52,000	44,057	(7,943)
EXPENDITURES				
General government:				
Services and supplies	30,695	5,695	2,993	2,702
Capital outlay	42,500	77,500	75,283	2,217
Total expenditures	73,195	83,195	78,276	4,919
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(21,195)	(31,195)	(34,219)	(3,024)
NET CHANGE IN FUND BALANCE	(21,195)	(31,195)	(34,219)	(3,024)
FUND BALANCE, BEGINNING	152,879	152,879	152,879	-
FUND BALANCE, ENDING	$ 131,684	$ 121,684	$ 118,660	$(3,024)

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (GAAP BASIS)
COMMUNITY DEVELOPMENT CORPORATION

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budget			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Sales tax	$ 1,348,631	$ 1,348,631	$ 1,381,630	$ 32,999
Licenses, permits and fees	63,400	63,400	42,385	(21,015)
Investment earnings	800	800	633	(167)
Total revenues	1,412,831	1,412,831	1,424,648	11,817
EXPENDITURES				
Parks and recreation:				
Personnel	324,231	344,231	330,861	13,370
Services and supplies	276,525	256,525	215,533	40,992
Capital outlay	-	31,000	30,392	608
Total expenditures	600,756	631,756	576,786	54,970
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	812,075	781,075	847,862	66,787
OTHER FINANCING SOURCES (USES)				
Transfer out	(836,286)	(836,286)	(836,286)	-
Total other financing sources (uses)	(836,286)	(836,286)	(836,286)	-
NET CHANGE IN FUND BALANCE	(24,211)	(55,211)	11,576	66,787
FUND BALANCE, BEGINNING	98,101	98,101	98,101	-
FUND BALANCE, ENDING	$ 73,890	$ 42,890	$ 109,677	$ 66,787

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PARK DEVELOPMENT FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budget			Variance With Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Park development fees	$ 49,248	$ 49,248	$ 137,537	$ 88,289
Investment earnings	500	500	745	245
Total revenues	49,748	49,748	138,282	88,534
EXPENDITURES	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	49,748	49,748	138,282	88,534
OTHER FINANCING SOURCES (USES)				
Transfers out	(96,685)	(96,685)	(129,267)	(32,582)
Total other financing sources (uses)	(96,685)	(96,685)	(129,267)	(32,582)
NET CHANGE IN FUND BALANCE	(46,937)	(46,937)	9,015	55,952
FUND BALANCE, BEGINNING	71,061	71,061	71,061	-
FUND BALANCE, ENDING	$ 24,124	$ 24,124	$ 80,076	$ 55,952

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

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CITY OF HIGHLAND VILLAGE, TEXAS

CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENT FUNDS BY SOURCE

SEPTEMBER 30, 2020

GENERAL CAPITAL ASSETS	
Land	$ 17,183,848
Land improvements	24,980,669
Building and improvements	15,996,042
Equipment	10,062,375
Other capital assets	537,690
Infrastructure	41,904,326
Construction in progress	3,528,661
Total general capital assets	$ 114,193,611
INVESTMENT IN GENERAL CAPITAL ASSETS	
Investment in general capital assets acquired prior to October 1, 1990	$ 655,037
General fund	11,441,866
Vehicle replacement fund	670,674
Special revenue funds	23,738,408
Capital project funds	30,509,919
Donations	47,177,707
Total investment in general capital assets	$ 114,193,611

CITY OF HIGHLAND VILLAGE, TEXAS

CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENTAL FUNDS BY FUNCTION AND ACTIVITY

SEPTEMBER 30, 2020

Department	Land	Land Improvements	Building Improvements
City Manager	$ 430,747	$ -	$ 265,915
Finance	26,651	-	412,718
Human Resources	8,812	-	113,185
City Secretary	41,479	-	511,673
Information services	-	-	-
Police	214,495	93,641	2,765,228
Fire	41,800	19,796	4,445,595
Building Operations	8,927	-	142,993
Streets and Drainage	11,571,913	1,007,402	885,794
Maintenance	65,609	-	775,360
Drainage Operations	-	29,200	451,842
Parks and Recreation	4,773,415	23,830,630	5,225,739
Total general capital assets	$ 17,183,848	$ 24,980,669	$ 15,996,042

Equipment	Other Assets	Infrastructure	Construction in Progress	Total
$ 54,276	$ -	$ -	$ -	$ 750,938
489,717	141,029	-	-	1,070,115
-	13,388	-	-	135,385
-	18,447	-	-	571,599
316,411	-	-	-	316,411
2,141,900	347,369	-	-	5,562,633
3,514,030	-	-	-	8,021,221
53,340	-	-	-	205,260
1,051,535	-	41,468,681	1,723,000	57,708,325
180,489	-	-	-	1,021,458
890,905	-	435,645	-	1,807,592
1,369,772	17,457	-	1,805,661	37,022,674
$ 10,062,375	$ 537,690	$ 41,904,326	$ 3,528,661	$ 114,193,611

CITY OF HIGHLAND VILLAGE, TEXAS

CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENTAL FUNDS - CHANGES BY FUNCTION AND ACTIVITY

FOR THE YEAR ENDED SEPTEMBER 30, 2020

Department	Balance September 30, 2019	Additions	Retirements / Transfers	Balance September 30, 2020
City manager	$ 750,938	$ -	$ -	$ 750,938
Finance	994,832	75,283	-	1,070,115
Human resources	135,385	-	-	135,385
City secretary	571,599	-	-	571,599
Information services	316,411	-	-	316,411
Police	5,658,964	15,563	111,894	5,562,633
Fire	7,985,829	35,392	-	8,021,221
Building operations	205,260	-	-	205,260
Streets and drainage	56,658,132	1,179,628	129,435	57,708,325
Maintenance	1,007,892	30,861	17,295	1,021,458
Drainage operations	1,752,456	94,614	39,478	1,807,592
Parks and recreation	36,179,830	1,363,195	520,351	37,022,674
Total capital assets	$ 112,217,528	$ 2,794,536	$ 818,453	$ 114,193,611

STATISTICAL SECTION

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STATISTICAL SECTION

This part of the City of Highland Village, Texas' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents

	Page
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	77
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax.	87
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	92
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	99
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	101

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF HIGHLAND VILLAGE, TEXAS

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

	Fiscal Year			
	2011	2012	2013	2014
Governmental activities:				
Net investments in capital assets	$36,432,805	$36,579,491	$38,572,424	$39,860,121
Restricted:				
Debt service	262,165	259,678	77,964	100,918
Community development	1,156,675	1,073,212	592,076	533,841
Public safety	76,953	86,057	92,018	94,120
Utility dtainage	433,566	283,352	171,166	161,368
Public broadcasting	-	10,738	6,291	17,420
Unrestricted	4,208,202	4,454,302	3,906,066	3,931,056
Total governmental activities net assets	$ 42,570,366	$ 42,746,830	$ 43,418,005	$ 44,698,844
Business-type activities:				
Invested in capital assets, net of related debt	$ 7,149,038	$ 6,393,534	$ 6,442,425	$ 6,325,308
Restricted:				
Capital projects	1,657,116	1,110,634	850,597	854,369
Unrestricted	2,830,923	3,079,711	3,594,106	3,142,581
Total business-type activities net assets	$ 11,637,077	$ 10,583,879	$ 10,887,128	$ 10,322,258
Primary government:				
Invested in capital assets, net of related debt	$ 43,581,843	$ 42,973,025	$ 45,014,849	$ 46,185,429
Restricted:				
Debt service	262,165	259,678	77,964	100,918
Community Development	1,156,675	1,073,212	592,076	533,841
Public safety	76,953	86,057	92,018	94,120
Utility dtainage	433,566	283,352	171,166	161,368
Public broadcasting	-	10,738	6,291	17,420
Capital projects	1,657,116	1,110,634	850,597	854,369
Unrestricted	7,039,125	7,534,013	7,500,172	7,073,637
Total primary government net assets	$ 54,207,443	$ 53,330,709	$ 54,305,133	$ 55,021,102

Note:

The City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" in fiscal year 2011.

Fiscal Year					
2015	2016	2017	2018	2019	2020
$40,160,271	$40,067,568	$40,453,356	$40,191,697	$41,212,165	$40,526,620
62,822	59,725	99,242	-	51,762	72,637
968,043	647,532	106,954	30,521	86,517	109,677
84,158	78,495	87,901	71,002	90,493	88,601
165,456	240,467	298,327	340,814	279,090	333,898
30,276	36,094	65,266	113,692	152,879	118,660
2,210,827	2,005,564	3,907,904	3,603,647	2,045,989	3,421,567
$ 43,681,853	$ 43,135,445	$ 45,018,950	$ 44,351,373	$ 43,918,895	$ 44,671,660
$ 5,519,051	$ 6,738,242	$ 6,603,211	$ 6,875,079	$ 6,592,993	$ 6,637,826
859,804	883,399	851,976	897,706	1,047,080	1,075,324
2,830,311	2,030,254	1,421,159	2,244,865	2,209,545	2,086,649
$ 9,209,166	$ 9,651,895	$ 8,876,346	$ 10,017,650	$ 9,849,618	$ 9,799,799
$ 45,679,322	$ 46,805,810	$ 47,056,567	$ 47,066,776	$ 47,805,158	$ 47,164,446
62,822	59,725	99,242	-	51,762	72,637
968,043	647,532	106,954	30,521	86,517	109,677
84,158	78,495	87,901	71,002	90,493	88,601
165,456	240,467	298,327	340,814	279,090	333,898
30,276	36,094	65,266	113,692	152,879	118,660
859,804	883,399	851,976	897,706	1,047,080	1,075,324
5,041,138	4,035,818	5,329,063	5,848,512	4,255,534	5,508,216
$ 52,891,019	$ 52,787,340	$ 53,895,296	$ 54,369,023	$ 53,768,513	$ 54,471,459

CITY OF HIGHLAND VILLAGE, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

	Fiscal Year			
	2011	2012	2013	2014
EXPENSES				
Governmental activities:				
General government	$ 4,061,944	$ 3,866,847	$ 4,012,367	$ 4,089,989
Public safety	6,057,589	6,172,127	6,220,099	6,361,961
Building operations	311,579	366,097	-	-
Community services	-	-	386,807	389,300
Streets and drainage	2,323,968	2,436,763	2,554,759	3,157,921
Parks and recreation	2,869,595	3,012,260	3,059,741	3,199,066
Interest on long-term debt	844,711	786,492	766,603	887,123
Total governmental activities expenses	16,469,386	16,640,586	17,000,376	18,085,360
Business-type activities:				
Water and wastewater	7,956,791	9,674,321	7,782,455	8,530,306
Total business-type activities expenses	7,956,791	9,674,321	7,782,455	8,530,306
Total primary government program expenses	$ 24,426,177	$ 26,314,907	$ 24,782,831	$ 26,615,666
PROGRAM REVENUES				
Governmental activities:				
Charges for services:				
General government	$ 247,160	$ 270,446	$ 346,896	$ 349,821
Public safety	228,724	244,070	234,931	291,234
Building operations	328,780	287,245	-	-
Community services	-	-	326,450	424,368
Streets and drainage	401,583	404,726	399,727	469,914
Parks and recreation	452,633	502,356	408,598	474,319
Operating grants and contributions	148,982	223,526	79,277	44,048
Capital grants and contributions	72,385	202,669	1,541,554	1,731,955
Total primary government program revenues	1,880,247	2,135,038	3,337,433	3,785,659
Business-type activities:				
Charges for services:				
Water and wastewater	9,062,987	8,751,077	8,486,005	8,101,643
Capital grants and contributions	193,982	145,701	79,560	148,467
Total business-type activies program revenues	9,256,969	8,896,778	8,565,565	8,250,110
Total primary government program revenues	$ 11,137,216	$ 11,031,816	$ 11,902,998	$ 12,035,769

Fiscal Year					
2015	2016	2017	2018	2019	2020
$ 4,330,662	$ 4,392,360	$ 4,654,057	$ 5,648,223	$ 5,442,819	$ 5,312,238
6,848,781	7,782,368	7,850,784	7,915,283	8,591,670	8,772,628
-	-	-	-	-	-
415,562	446,470	495,494	499,071	469,914	498,662
2,546,268	2,826,584	2,953,293	2,956,194	3,139,410	2,857,021
3,199,678	3,534,661	3,740,883	4,099,709	4,520,227	4,939,557
836,051	699,315	605,867	719,953	694,525	641,904
18,177,002	19,681,758	20,300,378	21,838,433	22,858,565	23,022,010
8,525,158	8,500,825	8,698,522	9,195,566	9,226,804	9,247,141
8,525,158	8,500,825	8,698,522	9,195,566	9,226,804	9,247,141
$ 26,702,160	$ 28,182,583	$ 28,998,900	$ 31,033,999	$ 32,085,369	$ 32,269,151
$ 331,895	$ 283,062	$ 294,421	$ 300,258	$ 375,503	$ 281,485
285,879	429,534	527,165	539,212	564,324	572,373
-	-	-	-	-	-
388,580	524,273	770,577	468,954	405,907	319,158
474,492	517,450	495,438	503,839	501,797	508,950
474,514	654,906	724,620	818,946	775,852	900,259
32,377	44,839	126,776	92,883	34,894	959,705
1,353,726	221,974	235,846	65,314	125,493	141,007
3,341,463	2,676,038	3,174,843	2,789,406	2,783,770	3,682,937
7,888,614	8,011,036	8,224,755	10,036,132	9,112,051	9,439,260
104,191	911,608	141,554	686,042	273,105	164,859
7,992,805	8,922,644	8,366,309	10,722,174	9,385,156	9,604,119
$ 11,334,268	$ 11,598,682	$ 11,541,152	$ 13,511,580	$ 12,168,926	$ 13,287,056

CITY OF HIGHLAND VILLAGE, TEXAS

CHANGES IN NET POSITION
(Continued)
LAST TEN FISCAL YEARS

	Fiscal Year			
	2011	2012	2013	2014
NET (EXPENSE) REVENUES				
Governmental activities	$(14,589,139)	$(14,505,548)	$(13,700,224)	$(14,299,701)
Business-type activities	1,300,178	(777,543)	766,821	(280,196)
Total primary government net expense	(13,288,961)	(15,283,091)	(12,933,403)	(14,579,897)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental activities:				
Taxes				
Property	9,323,925	9,397,945	9,336,875	9,726,985
Franchise	1,412,034	1,582,402	1,640,398	1,720,762
Sales	3,004,273	3,252,413	3,304,660	3,613,216
Unrestricted investment earnings	45,144	32,737	38,059	33,308
Gain on sale of assets	33,260	27,485	-	-
Miscellaneous	281,566	89,030	199,282	186,269
Transfers	(1,048,912)	300,000	300,000	300,000
Total governmental activities	13,051,290	14,682,012	14,819,274	15,580,540
Business-type activities:				
Unrestricted investment earnings	36,012	24,345	12,142	15,326
Transfers	1,048,912	(300,000)	(300,000)	(300,000)
Total business-type activities	1,084,924	(275,655)	(287,858)	(284,674)
Total primary government	14,136,214	14,406,357	14,531,416	15,295,866
CHANGE IN NET POSITION				
Governmental activities	(1,537,849)	176,464	1,119,050	1,280,839
Business-type activities	2,385,102	(1,053,198)	478,963	(564,870)
Total primary government	$ 847,253	$(876,734)	$ 1,598,013	$ 715,969

TABLE 2

Fiscal Year					
2015	2016	2017	2018	2019	2020
$(14,835,539)	$(17,005,720)	$(17,125,535)	$(19,049,027)	$(20,074,795)	$(19,339,073)
(532,353)	421,819	(332,213)	1,526,608	158,352	356,978
(15,367,892)	(16,583,901)	(17,457,748)	(17,522,419)	(19,916,443)	(18,982,095)
10,220,940	10,876,727	11,601,454	12,126,314	12,697,424	13,332,678
1,722,995	1,658,700	1,626,903	1,699,608	1,585,246	1,522,345
3,690,787	3,786,900	3,830,637	3,915,696	4,285,659	4,258,100
36,026	54,786	81,049	269,069	410,525	205,714
-	-	-	-	-	-
122,009	83,908	1,398,997	153,919	193,463	303,001
300,000	(1,709)	470,000	470,000	470,000	470,000
16,092,757	16,459,312	19,009,040	18,634,606	19,642,317	20,091,838
17,104	19,201	26,664	84,696	143,616	63,203
(300,000)	1,709	(470,000)	(470,000)	(470,000)	(470,000)
(282,896)	20,910	(443,336)	(385,304)	(326,384)	(406,797)
15,809,861	16,480,222	18,565,704	18,249,302	19,315,933	19,685,041
1,257,218	(546,408)	1,883,505	(414,421)	(432,478)	752,765
(815,249)	442,729	(775,549)	1,141,304	(168,032)	(49,819)
$ 441,969	$(103,679)	$ 1,107,956	$ 726,883	$(600,510)	$ 702,946

CITY OF HIGHLAND VILLAGE, TEXAS

FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	Fiscal Year			
	2011	2012	2013	2014
General fund				
Nonspendable - prepaid items	$ 1,073	$ 772	$ 7,319	$ 1,176
Assigned	-	-	151,582	185,104
Unassigned	4,295,895	4,539,271	4,442,650	4,357,319
Total general fund	$ 4,296,968	$ 4,540,043	$ 4,601,551	$ 4,543,599
All other governmental funds				
Nonspendable - prepaid items	$ -	$ -	$ -	$ -
Restricted, for the purpose of:				
Debt service	349,270	354,029	160,157	168,040
Public parks and recreational projects	2,539,696	2,350,393	1,820,252	8,056,884
Public safety - law enforcement	76,953	86,057	92,018	94,120
Utility drainage operations	433,566	283,352	171,166	161,368
Capital projects	371,455	3,104,486	785,227	641,828
Public broadcasting	-	10,738	6,291	17,420
Committed - parks	236,402	167,766	86,178	106,705
Total all other governmental funds	$ 4,007,342	$ 6,356,821	$ 3,121,289	$ 9,246,365

Note:

The City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" in fiscal year 2011.

Fiscal Year					
2015	2016	2017	2018	2019	2020
$ 449	$ 251,748	$ 1,250	$ 99,008	$ 273,288	$ 75,193
865,468	1,270,558	2,142,128	2,011,564	1,829,514	2,042,788
4,207,414	3,933,919	5,248,582	5,440,353	4,552,543	5,834,619
$ 5,073,331	$ 5,456,225	$ 7,391,960	$ 7,550,925	$ 6,655,345	$ 7,952,600
$ -	$ -	$ -	$ -	$ 26,205	$ -
154,343	141,058	161,180	159,489	118,266	126,236
2,349,085	751,846	106,954	30,521	86,517	109,677
84,158	78,495	87,901	71,002	90,493	88,601
165,456	240,467	298,327	340,814	279,090	333,898
392,061	438,834	45,662	6,865,552	5,313,584	3,222,762
30,276	36,094	65,266	113,692	152,879	118,660
120,422	262,224	501,093	263,469	271,466	486,084
$ 3,295,801	$ 1,949,018	$ 1,266,383	$ 7,844,539	$ 6,338,500	$ 4,485,918

CITY OF HIGHLAND VILLAGE, TEXAS

CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	Fiscal Year			
	2011	2012	2013	2014
REVENUES				
Taxes	$ 13,747,894	$ 14,234,807	$ 14,271,269	$ 15,066,221
Fines and forfeitures	216,558	123,635	170,442	158,183
Licenses, permits, fees	1,256,464	1,372,677	1,414,988	1,600,992
Intergovernmental	147,182	353,433	1,620,831	1,651,123
Charges for services	220,595	201,896	206,460	252,168
Investment earnings	45,144	16,795	54,003	33,308
Miscellaneous	318,178	117,514	199,282	186,269
Total revenues	15,952,015	16,420,757	17,937,275	18,948,264
EXPENDITURES				
General government	3,877,964	3,676,079	3,821,447	3,862,314
Public safety	5,368,601	5,570,980	5,563,505	5,726,860
Building operations	306,349	352,156	-	-
Community service	-	-	373,690	378,626
Streets and drainage	1,185,257	1,208,138	1,359,195	1,936,985
Parks and recreation	2,283,597	2,313,973	2,354,526	2,415,834
Debt service				
Principal	1,696,671	1,765,000	1,735,000	1,815,000
Interest and other charges	901,321	824,359	794,461	888,597
Capital outlay	1,594,158	1,336,567	5,409,475	3,223,116
Total expenditures	17,213,918	17,047,252	21,411,299	20,247,332
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,261,903)	(626,495)	(3,474,024)	(1,299,068)
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt	4,070,000	2,795,000	-	7,020,000
Proceeds from capital leases	-	-	-	-
Premium on debt issuance	200,910	124,049	-	46,192
Proceeds from sale captial assets	-	-	-	-
Payments to escrow account	(4,240,559)	-	-	-
Transfers in	1,314,389	1,198,962	1,268,715	1,235,142
Transfers out	(1,014,389)	(898,962)	(968,715)	(935,142)
Total other financing sources (uses)	330,351	3,219,049	300,000	7,366,192
NET CHANGE IN FUND BALANCES	$(931,552)	$ 2,592,554	$(3,174,024)	$ 6,067,124
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	16.6%	16.5%	15.8%	15.9%

TABLE 4

Fiscal Year					
2015	2016	2017	2018	2019	2020
$ 15,625,989	$ 16,308,934	$ 17,060,166	$ 17,714,340	$ 18,557,768	$ 19,066,421
124,932	99,082	98,699	109,420	106,281	88,543
1,565,929	1,916,752	2,219,095	2,027,847	1,951,587	1,960,801
1,435,235	310,519	387,946	139,430	185,872	1,100,712
253,851	391,627	485,553	493,590	539,265	523,347
36,026	54,786	81,049	269,069	410,525	205,714
122,009	114,448	1,398,997	153,919	193,463	303,001
19,163,971	19,196,148	21,731,505	20,907,615	21,944,761	23,248,539
4,137,117	4,135,129	4,337,308	5,456,729	5,089,032	5,175,479
6,212,042	6,952,405	6,890,116	7,181,646	7,560,411	7,910,089
-	-	-	-	-	-
401,541	430,163	455,266	481,472	435,063	494,206
1,352,770	1,589,676	1,695,038	1,739,093	1,880,112	1,617,077
2,378,196	2,626,904	2,558,767	2,831,487	3,146,751	3,514,488
1,955,000	2,176,616	2,263,592	2,118,875	2,060,203	2,200,000
863,286	716,472	650,698	602,713	806,576	648,114
8,218,357	3,868,574	2,127,620	1,307,067	3,838,232	2,794,537
25,518,309	22,495,939	20,978,405	21,719,082	24,816,380	24,353,990
(6,354,338)	(3,299,791)	753,100	(811,467)	(2,871,619)	(1,105,451)
-	9,235,000	2,435,000	6,905,000	-	-
633,506	250,780	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	80,124
-	(7,619,878)	(2,405,000)	173,588	-	-
1,283,905	2,290,168	2,005,329	1,462,380	1,418,615	1,732,905
(983,905)	(1,820,168)	(1,535,329)	(992,380)	(948,615)	(1,262,905)
933,506	2,335,902	500,000	7,548,588	470,000	550,124
$(5,420,832)	$(963,889)	$ 1,253,100	$ 6,737,121	$(2,401,619)	$(555,327)
16.3%	15.5%	15.5%	13.3%	13.7%	13.2%

CITY OF HIGHLAND VILLAGE, TEXAS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

Fiscal Year	Real Property		Personal Property	Less: Tax-exempt Property
	Residential Property	Commercial Property		
2011	$ 1,401,737,552	$ 225,092,872	$ 53,733,486	$ 75,046,468
2012	1,416,483,461	252,976,165	59,119,095	80,495,062
2013	1,411,883,987	254,483,493	58,492,381	89,119,649
2014	1,461,181,835	263,597,977	60,771,959	90,906,933
2015	1,564,231,925	278,425,113	60,243,887	105,428,441
2016	1,649,565,971	313,545,655	64,490,237	106,266,234
2017	1,760,795,273	312,423,960	63,604,815	120,818,328
2018	1,890,908,720	343,451,978	64,741,269	162,929,317
2019	1,999,631,975	355,044,705	57,843,048	157,124,400
2020	2,073,752,984	385,732,416	63,879,965	165,516,748

Source: Denton County Appraisal District

Note: Estimated total levy is calculated by multiplying the net taxable assessed value by the total direct tax rate per $100 of net taxable assessed value.

Residential: single family, vacant lots, acreage, and farm/ranch and personal.

Commercial: real commercial, personal industrial and utilities.

Net Taxable Assessed Value	Total Direct Tax Rate	Estimated Total Levy
$ 1,605,517,442	0.56963	$ 9,145,509
1,648,083,659	0.56963	9,387,979
1,635,740,212	0.56963	9,317,667
1,694,644,838	0.56963	9,653,205
1,797,472,484	0.56963	10,238,943
1,921,335,629	0.56963	10,944,504
2,016,005,720	0.56963	11,483,773
2,136,172,650	0.56802	12,133,888
2,255,395,328	0.56302	12,698,327
2,357,848,617	0.56302	13,275,159

TABLE 6

CITY OF HIGHLAND VILLAGE, TEXAS

DIRECT AND OVERLAPPING PROPERTY TAX RATES

LAST TEN FISCAL YEARS

	City Direct Rates			Overlapping Rates	
Fiscal Year	Operating/ General Rate	Debt Service Rate	Total Direct Rate	Lewisville Independent School District	Denton County
2011	0.45504	0.11459	0.56963	1.42670	0.27390
2012	0.45855	0.11108	0.56963	1.42600	0.27736
2013	0.46983	0.09980	0.56963	1.45300	0.28287
2014	0.46129	0.10834	0.56963	1.47700	0.28491
2015	0.46999	0.09964	0.56963	1.47700	0.27220
2016	0.47817	0.09146	0.56963	1.47673	0.26220
2017	0.48279	0.08684	0.56963	1.42000	0.24840
2018	0.49706	0.07096	0.56802	1.40750	0.23781
2019	0.47979	0.08323	0.56302	1.40750	0.22557
2020	0.47649	0.08653	0.56302	1.33750	0.22528

Source: Denton County Tax Collector's Office
Lewisville Independent School District Budget Office

Note: A typical property tax bill would consist of the City, School District and County taxes.

TABLE 7

CITY OF HIGHLAND VILLAGE, TEXAS

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2020 Taxable Assessed Value	2020 Percentage of Total City Taxable Assessed Value*	2011 Taxable Assessed Value	2011 Percentage of Total City Taxable Assessed Value**
MP Shops at Highland Village, LLC	$ 83,521,614	3.542%	$ -	- %
DDR Highland Village, LP	42,864,243	1.818%	-	- %
HHSG, LLC	40,830,281	1.732%	-	- %
Wal-Mart Stores Texas, LP	17,223,349	0.730%	-	- %
ADV Highland Village Property Owner, LLC	14,421,111	0.612%	-	- %
Centro NP Holdings 12 SPE, LLC	14,229,357	0.603%	-	- %
PS LPT Property Investors	11,103,115	0.471%	-	- %
Barnett Healthcare Prop, LLC	8,719,750	0.370%	-	- %
HSM Highland Point S/C. LTD	6,688,220	0.284%	-	- %
CoServ Elecrtric Co-Op	5,500,000	0.233%	-	- %
Shops at Highland Village Dev., LTD	-	- %	36,750,000	2.289%
Opus Real Estate TX VII HV, LP	-	- %	28,613,205	1.782%
Wal-Mart Stores Texas, LP	-	- %	19,900,000	1.239%
Wal-Mart Stores Texas, LP	-	- %	8,665,488	0.540%
CenterAmerica Prop. Trust, LP	-	- %	7,719,557	0.481%
Barnett Healthcare Prop, LLC	-	- %	6,739,918	0.420%
HSM Highland Point S/C. LTD	-	- %	5,836,913	0.364%
Happenings, LLC	-	- %	4,673,053	0.291%
CoServ Elecrtric Co-Op, Inc.	-	- %	4,401,128	0.274%
OW Commercial, Inc.	-	- %	4,256,978	0.265%
Total	$ 245,101,040	10.395%	$ 127,556,240	7.945%

Source: Denton county Appraisal District

Notes:

* Total taxable value including real and personal property for tax year 2019 (fiscal year 2020) is $2,357,848,617

** Total taxable value including real and personal property for tax year 2010 (fiscal year 2011) is $1,605,517,442

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TABLE 8

CITY OF HIGHLAND VILLAGE, TEXAS

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

Fiscal Year Ended	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2011	$ 9,331,792	$ 9,311,956	99.79%	$ 17,633	$ 9,329,588	99.98%
2012	9,378,644	9,362,729	99.83%	13,630	9,376,359	99.98%
2013	9,315,832	9,293,267	99.76%	19,564	9,312,831	99.97%
2014	9,697,513	9,672,999	99.75%	20,965	9,693,964	99.96%
2015	10,201,729	10,176,515	99.75%	17,665	10,194,180	99.93%
2016	10,853,080	10,824,025	99.73%	22,566	10,846,591	99.94%
2017	11,572,279	11,546,650	99.78%	16,815	11,563,465	99.92%
2018	12,140,133	12,099,984	99.67%	29,506	12,129,490	99.91%
2019	12,691,161	12,640,013	99.60%	27,845	12,667,858	99.82%
2020	13,298,601	13,216,040	99.38%	-	13,216,040	99.38%

Sources: Denton County appraisal District and Denton County Tax office.

Notes: Tax levy includes adjustments and supplements made to the property roll during the fiscal year. Delinquent collections do not include penalty and interest.

CITY OF HIGHLAND VILLAGE, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			
	General Obligation Bonds	Combination Tax and Revenue Certificates of Obligation	Capital Lease Obligations	Tax Note
2011	$ 14,238,460	$ 6,879,970	$ -	$ -
2012	13,024,524	9,237,414	-	-
2013	11,865,589	8,644,049	-	-
2014	10,880,294	15,080,339	-	-
2015	9,768,359	14,319,664	503,506	-
2016	9,547,809	12,683,991	632,670	1,535,000
2017	10,789,888	9,511,276	384,078	1,420,000
2018	16,395,133	9,354,426	130,202	1,145,000
2019	15,208,189	8,852,574	-	865,000
2020	13,771,244	8,335,723	-	580,000

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

* See Table 14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

Business-type Activities						
General Obligation Bonds	Combination Tax and Revenue Certificates of Obligation	Capital Lease Obligations	Total Primary Government	Percentage of Personal Income*	Per Capita*
$ 1,001,994	$ 10,644,363	$ 44,550	$ 32,809,337	5.48%	$ 2,144
5,339,572	5,262,868	-	32,864,378	4.97%	2,106
4,771,815	5,030,763	-	30,312,216	4.47%	1,979
4,373,046	9,345,362	-	39,679,041	5.31%	2,572
3,726,715	9,097,385	-	37,415,629	4.77%	2,351
3,070,385	8,839,408	-	36,309,263	4.50%	2,290
6,451,947	4,554,089	-	33,111,278	3.87%	2,068
5,854,297	7,160,379	-	40,039,437	4.54%	2,487
5,140,647	6,933,977	-	37,000,387	3.99%	2,237
4,603,996	6,647,575	-	33,938,538	3.46%	2,036

CITY OF HIGHLAND VILLAGE, TEXAS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

Fiscal Year	General Bonded Debt Outstanding: General Obligation Bonds	Certificate of Obligation Bonds	General Bonded Debt Outstanding	Less Debt Service Resources Available	Net General Bonded Debt Outstanding	Percentage of Net Taxable Value of Property	Per Capita
2011	$ 15,240,454	$ 17,524,333	$ 32,764,787	$ 349,270	$ 32,415,517	2.02%	2,118
2012	18,364,096	14,500,282	32,864,378	354,029	32,510,349	1.97%	2,084
2013	16,637,404	13,674,812	30,312,216	160,157	30,152,059	1.84%	1,969
2014	15,253,340	24,425,701	39,679,041	168,040	39,511,001	2.33%	2,561
2015	13,495,074	23,417,049	36,912,123	154,343	36,757,780	2.04%	2,310
2016	12,618,194	21,523,399	34,141,593	59,725	34,081,868	1.77%	2,149
2017	17,241,835	14,065,365	31,307,200	99,242	31,207,958	1.55%	1,949
2018	22,249,430	16,514,805	38,764,235	-	38,764,235	1.81%	2,408
2019	20,348,836	15,786,551	36,135,387	51,762	36,083,625	1.60%	2,182
2020	18,375,240	14,983,298	33,358,538	72,637	33,285,901	1.41%	1,997

Notes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

See Table 5 for property value data.

See Table 14 for population data.

TABLE 11

CITY OF HIGHLAND VILLAGE, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF SEPTEMBER 30, 2020

Government Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes			
County of Denton	$ 645,680,000	2.179%	$ 14,069,861
Lewisville Independent School District	1,571,032,794	6.096%	95,763,096
Subtotal overlapping debt			109,832,957
City of Highland Village (direct debt)	22,686,967	100.0%	22,686,967
Total direct and overlapping debt			$ 132,519,924

Sources: Assessed value data used to estimate applicable percentages provided by the Denton County Appraisal District. Debt outstanding data provided by each governmental unit.

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Highland Village, Texas. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and therefore responsible for repaying the debt of each overlapping government.

CITY OF HIGHLAND VILLAGE, TEXAS

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

	Fiscal Year			
	2011	2012	2013	2014
Debt limit	$ 40,137,937	$ 41,202,091	$ 40,893,505	$ 42,366,121
Total net debt applicable to limit	2,231,680	2,262,042	2,369,304	2,478,463
Legal debt margin	$ 37,906,257	$ 38,940,049	$ 38,524,201	$ 39,887,658
Total net debt applicable to the limit as a percentage of debt limit.	5.56%	5.49%	5.79%	5.85%

Note:

According to The State of Texas Constitution, Article 11, Section 5, provides in part that, "…no tax for any purpose shall ever be lawful for any one year, which shall exceed 2.5% of the taxable property of such city." As a home rule city, the City of Highland Village is not limited in the amount of debt it may issue.

TABLE 12

Assessed value	$ 2,357,848,617
Debt limit ($2.50 per $100 of assessed value)	58,946,215
Debt applicable to limit:	
Tax supported debt	2,845,483
Less: Amount set aside for repayment of general obligation debt	(72,637)
Total net debt applicable to limit	2,772,846
Legal debt margin	$ 56,173,369

Fiscal Year					
2015	2016	2017	2018	2019	2020
$ 44,936,812	$ 48,033,391	$ 50,400,143	$ 53,404,316	$ 56,384,883	$ 58,946,215
2,842,629	2,495,691	2,524,780	2,386,534	2,679,188	2,772,846
$ 42,094,183	$ 45,537,700	$ 47,875,363	$ 51,017,782	$ 53,705,695	$ 56,173,369
6.33%	5.20%	5.01%	4.47%	4.75%	4.70%

TABLE 13

CITY OF HIGHLAND VILLAGE, TEXAS

PLEDGED REVENUE COVERAGE

LAST TEN FISCAL YEARS

	Water and Wastewater System Revenue Bonds						
		Less:	Net	Debt Service			
Fiscal Year	Total Revenues	Operating Expenses	Available Revenue	Principal	Interest	Total	Coverage
2011	$ 9,098,999	$ 6,725,115	$ 2,373,884	$ 958,329	$ 499,271	$ 1,457,600	1.63
2012	8,775,422	8,517,784	257,638	995,000	348,478	1,343,478	0.19
2013	8,498,147	6,642,770	1,855,377	800,000	347,277	1,147,277	1.62
2014	8,116,969	7,284,308	832,661	840,000	398,349	1,238,349	0.67
2015	7,905,718	7,266,680	639,038	860,000	424,163	1,284,163	0.50
2016	8,030,237	7,271,123	759,114	880,000	402,788	1,282,788	0.59
2017	8,251,419	7,503,415	748,004	905,000	332,284	1,237,284	0.60
2018	10,120,828	8,020,025	2,100,803	790,000	286,878	1,076,878	1.95
2019	9,255,667	7,154,348	2,101,319	815,000	401,814	1,216,814	1.73
2020	9,502,463	7,271,982	2,230,481	890,000	336,414	1,226,414	1.82

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Gross revenues do not include capital contributions. Operating expenses do not include interest, depreciation, or amortization expenses.

TABLE 14

CITY OF HIGHLAND VILLAGE, TEXAS

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

Calendar Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2011	15,305 *	$ 598,930,565	$ 39,133	6.9%
2012	15,602	661,072,342	42,371	5.6%
2013	15,315	677,964,420	44,268	5.4%
2014	15,429	747,797,343	48,467	4.2%
2015	15,915	784,959,630	49,322	3.4%
2016	15,859	807,096,228	50,892	3.6%
2017	16,012	855,857,412	53,451	3.1%
2018	16,100	881,539,400	54,754	3.1%
2019	16,537	926,369,666	56,018	2.8%
2020	16,668	980,511,768	58,826	6.6%

Source: U. S. Census Bureau
Texas Workforce Commission
Bureau of Economic Analysis

Note: Population estimates are based on residential sewer connections.
*2011 population estimates are based on 2010 census

CITY OF HIGHLAND VILLAGE, TEXAS

PRINCIPAL EMPLOYERS

CURRENT AND NINE YEARS AGO

	2020	2011
Employer	Employees	Employees
ExcelWipe, LLC	250-499	-
City of Highland Village	100-249	100-249
Lewisville Independent School District	100-249	100-249
Re/Max Cross County	100-249	-
Walmart Supercenter	100-249	-
WFM Coffee Bar	100-249	-
Whole Foods Stores	100-249	-
AMC Highland Village 12	50-99	-
Excite Gymnastics & Cheer	50-99	50-99
Home Instead Senior Care	50-99	-
Rosa's Café & Tortilla Factory	50-99	-
TJ Maxx	50-99	-
Borad Enterprises, LLC	-	20-49
Himesh Kana, DDS PLLC	-	20-49
John R. Ross Company, Inc.	-	20-49
Loubel, Inc.	-	20-49
Marla R. Conger, MD PA	-	20-49
Personal Neighbor Care, LLC	-	20-49
Prime Kids, LLC	-	20-49
Salerno Pizza Co	-	20-49

Source: Texas Workforce Commission

Note: The source of data is legally prevented from obtaining and disclosing the number of employees of specific employers. Accordingly, the number of employees are displayed within a range.

TABLE 16

CITY OF HIGHLAND VILLAGE, TEXAS

FULLTIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

	Fiscal Year									
Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General government										
City manager	2	2	2	2	2	2	2	2	2	2
Finance	12	12	13	13	11	11	10	10	10	11
Human resources	3	3	3	3	3	3	3	3	3	3
City secretary	2	2	2	2	2	2	2	2	2	1
Information Services	-	-	-	4	4	6	7	7	7	7
City Attorney	2	1	-	-	-	-	-	-	-	-
Maintenance	4	4	4	4	4	4	4	4	4	4
Public safety										
Police	38	38	39	41	44	46	45	45	46	46
Fire	18	18	18	18	19	22	22	22	22	22
Community services	4	5	5	5	5	5	4	4	4	5
Streets and drainage	16	16	15	15	15	14	15	15	15	14
Parks and recreation	16	16	17	17	17	17	17	17	18	18
Water and wastewater	17	18	18	18	18	19	19	19	19	19
Highland Village Community Development Corporation	2	2	2	2	3	3	3	4	4	4
Total	136	137	138	144	147	154	153	154	156	156

Source: Various City departments

Notes: A fulltime employee is scheduled to work 40 hours per week (including vacation and sick leave).

CITY OF HIGHLAND VILLAGE, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	Fiscal Year 2011	2012	2013
General government			
Open records requests processed	149	184	220
Court cases filed	2,704	1,220	2,284
Employee turnover (%)	14.00%	16.00%	11.70%
Emp safety lost time injuries	2	-	1
Technical support tickets closed			
Community Service			
Permits issued	1,250	1,386	1,424
Inspections performed	2,911	2,928	2,923
Police			
Reported offenses	340	273	227
Arrests	321	232	255
Service	7,022	6,324	5,884
Close patrols	4,331	10,249	7,174
Traffic citations issued	2,480	1,305	2,119
Traffic warnings issued	4,626	2,010	2,622
Motor vehicle accidents	197	189	194
Animal impounds	216	221	*
Animal care calls	2,105	4,656	*
Animal registrations	580	873	*
Fire			
EMS calls	566	525	568
Fires calls	504	549	350
Streets and Drainage			
Drainage materials (ft.)	9,268	34,021	*
Asphalt (tons)	402	1,148	316
Concrete(yards)	937	4,216	406
Cold patch (lbs)	3,000	53	600
Crack seal (lbs)	21,558	-	-
Paint (gal)	301	89	140
Sod replacement (yards)	-	-	329
Saw cuttings (ft.)	10,578	16,568	11,996
Spoils (yards)	577	3,605	3,402
Sign Repairs (hours)	700	159	196
Work orders completed (Maintenance)	534	264	1,860
Total fuel consumption	65,789	58,692	59,415
Parks and recreation			
Acres of turf mowed	4,686	*	11,448
Parks turf maintenance (hours)			
Park maintenance (hours)	*	5,126	6,525
Bags of trash disposed (55 gal)	4,898	*	7,200
Trash removal (hours)	*	1,253	2,816
Recreation/Special Events Participation	30,342	19,798	20,894
Water			
New connections	33	59	15
Field operations work orders completed	5,379	14,822	16,687
Peak daily consumption	7,220,700	8,099,400	6,780,300
Maximum daily capacity-water production	6.46MGD	6.93MGD	7.20MGD
Number of gallons pumped	1,236,291,896	1,094,066,900	1,162,636,600
Number of gallons sold	1,188,799,975	1,070,560,100	1,152,288,922
Wastewater			
Wastewater work orders completed	1,148	1,620	1,123
Wastewater gallons pumped	462,414,000	446,910,000	374,111,518

Source: Various City departments

* Not available

**During Fiscal Year 2009-2010 the City's Fuel Station was not in use due to Facility Construction, therefore Total Fuel Consumption does not include 4 months

Fiscal Year				
2014	2015	2016	2017	2018
240	224	281	288	277
1,962	1,524	1,782	1,518	1,547
10.70%	7.50%	11.70%	9.00%	7.10%
2	-	-	-	1
	1,046	807	774	747
1,466	1,343	1,336	4,533	2,758
2,889	2,946	2,633	4,949	4,313
262	306	452	609	565
271	281	267	325	272
4,928	5,164	6,617	6,962	6,221
12,492	8,259	6,957	7,193	13,729
2,221	1,716	1,352	1,129	1,128
3,008	2,841	2,337	3,010	3,217
204	162	239	257	261
230	172	243	220	187
1,554	687	1,413	1,410	1,252
907	690	865	676	620
591	601	602	685	682
457	493	526	610	587
*	*	*	*	*
157	426	716	301	227
197	270	204	213	622
900	3,575	4,800	30,000	25,000
-	125	200	18,000	14,406
156	20	30	15	56
250	25	15	86	261
28,334	17,832	14,952	12,336	16,957
404	961	828	966	124
98	48	107	42	80
1,903	1,837	1,818	1,821	1,809
60,448	55,897	59,198	60,000	57,000
4,931	*	*	*	*
		6,525	6,525	6,525
*	24,012	23,899	23,950	23,950
6,160	8,260	*	*	*
*	2,816	2,816	2,920	2,920
22,608	20,288	19,051	29,603	29,003
16	17	37	26	13
9,815	10,675	10,815	10,064	9,370
6,929,900	7,500,000	7,500,000	7,500,000	7,500,000
7.20MGD	7.20MGD	7.20MGD	7.2MGD	7.2MGD
1,044,346,300	1,056,000,000	991,177,900	928,836,200	995,892,200
934,653,200	1,008,000,000	931,105,700	888,844,700	1,017,767,600
4,156	4,867	4,740	4,378	4,785
381,156,000	604,500,000	572,924,000	425,469,000	411,460,879

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TABLE 17

CITY OF HIGHLAND VILLAGE, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	Fiscal Year 2019	2020
General government		
Open records requests processed	319	414
Court cases filed	1,528	1,072
Employee turnover (%)	9.60%	14.00%
Emp safety lost time injuries	-	-
Technical support tickets closed	829	854
Community Service		
Permits issued	1,563	1,273
Inspections performed	3,608	3,878
Police		
Reported offenses	518	506
Arrests	304	173
Service	6,520	6,141
Close patrols	15,202	15,530
Traffic citations issued	1,280	780
Traffic warnings issued	3,989	2,019
Motor vehicle accidents	260	211
Animal impounds	227	114
Animal care calls	1,489	1,160
Animal registrations	571	481
Fire		
EMS calls	745	758
Fires calls	624	525
Streets and Drainage		
Drainage materials (ft.)	*	*
Asphalt (tons)	640	582
Concrete(yards)	136	815
Cold patch (lbs)	51,720	63,000
Crack seal (lbs)	9,000	11,250
Paint (gal)	92	138
Sod replacement (yards)	100	394
Saw cuttings (ft.)	15,520	14,967
Spoils (yards)	807	575
Sign Repairs (hours)	110	52
Work orders completed (Maintenance)	1,813	1,816
Total fuel consumption	61,000	60,600
Parks and recreation		
Acres of turf mowed	*	*
Parks turf maintenance (hours)	9,267	8,168
Park maintenance (hours)	22,067	21,206
Bags of trash disposed (55 gal)	*	*
Trash removal (hours)	2,086	1,843
Recreation/Special Events Participation	25,560	3,916
Water		
New connections	16	35
Field operations work orders completed	10,544	15,419
Peak daily consumption	7,500,000	7,500,000
Maximum daily capacity-water production	7.2MGD	7.2MGD
Number of gallons pumped	813,644,189	982,601,900
Number of gallons sold	765,360,700	957,911,500
Wastewater		
Wastewater work orders completed	4,803	4,957
Wastewater gallons pumped	447,811,593	495,967,000

Source: Various City departments

* Not available

**During Fiscal Year 2009-2010 the City's Fuel Station was not in use due to Facility Construction, therefore Total Fuel Consumption does not include 4 months

CITY OF HIGHLAND VILLAGE, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	Fiscal Year 2011	2012	2013	2014
General Government				
City area (in miles)	6.38	6.38	6.38	6.38
Police				
Stations	1	1	1	1
Fire				
Stations	1	1	1	1
Streets and Drainage				
Streets (miles)	200.0	200.0	200.0	200.0
Traffic signals	3	3	3	3
Parks and recreation				
Acres of parks	335	318	318	318
Trail system (linear miles)	6.7	7.1	10.0	11.7
Water				
Number of meters in service	5,357	5,416	5,422	5,439
Water mains (in miles)	100	100	100	98
Fire hydrants	754	766	770	780
Wastewater				
Storm sewers (miles)	23	23	24	24
Sanitary sewers (miles)	98	98	98	98
Sewer connections	5,119	5,212	5,218	5,235

Source: Various City departments

Fiscal Year					
2015	2016	2017	2018	2019	2020
6.38	6.38	6.38	6.38	6.38	6.38
1	1	1	1	1	1
1	1	1	1	1	1
200.03	200.03	200.03	200.03	200.03	200.03
318	318	318.2	393	393	393
11.7	12.7	12.7	12.7	12.7	12.7
5,456	5,483	5,521	5,536	5,523	5,579
99	100	100	102	102	103
780	811	815	825	825	821
25	25	25	25	25	26
98	99	99	100	100	101
5,253	5,276	5,307	5,325	5,389	5,436

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